FINANCIAL TIMES

World Business Newspaper http://www.FT.com FRIDAY FEBRUARY 19 1999

FT Weekend tomorrow
King coal: the last man in Europe to wield worker power

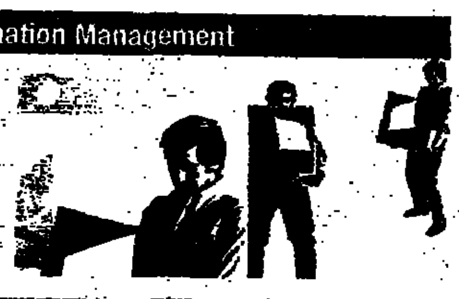
Electricity deregulation
Obstacles remain to real free market in EU
Page 15

The China Connection
Where Beijing buys its weapons
Page 6

The mood in Serbia
'Are you going to bomb us, or shall we paint the house?'
Page 2

Mastering Information Management

The FT's 12-part series on the I in IT continues on Monday. Part Four: The smarter supply chain



WORLD NEWS

Ministers resign as Greece tries to avert crisis over Ocalan

Greek foreign minister Theodoros Pangalos resigned as the country's socialist government sought to avert a political crisis over Turkey's capture of Abdullah Ocalan, leader of the PKK Kurdish guerrilla movement. Two other cabinet ministers stepped down. Page 16; Ankara plans to remove rebels, Page 2

Employers back workers deal
European Union employers are backing legal protection for millions of fixed-term contract workers against discrimination in areas such as working hours and holidays. Europe, Page 3

Brussels urges accounts changes
Far-reaching changes in the reporting methods for listed companies in Europe are being urged by the European Commission. Britain, Page 16

US wholesale prices jump
US wholesale prices last month showed their largest monthly rise since 1996, official figures show. US and Canada, Page 10; An impossible balancing act, Page 14

Progress at Kosovo talks
International mediators in the Kosovo peace talks claimed to have arrived at a compromise between Serbs and Albanians. Europe, Page 2; Embracing the Balkans, Page 14

Madrid opposes 35-hour week
The Spanish government is trying to stem a growing movement by local and regional authorities to introduce a 35-hour working week. Europe, Page 3

Metalworkers' pay deal attacked
Employers and trade unions in Germany's metal industry struck a pay deal which came under immediate attack from business and economists. Europe, Page 2; Editorial Comment, Page 15

Ferry operators fight for duty free
Scandinavian ferry operators plan to exploit tax loopholes and seek legal rulings allowing them to maintain duty free sales in spite of the European Union's plan to abolish them. Europe, Page 3

US and S Africa in trade pact
US vice-president Al Gore and South African deputy president Thabo Mbeki launched a trade agreement, the first of a series the US hopes to launch in Africa. World trade, Page 5

Kenyan minister quits
Kenyan finance minister Simeon Nyachae resigned following demotion in a cabinet reshuffle. International, Page 4

Canadian inflation drops
Canada's annual inflation rate dropped to 0.6 per cent last month, despite a booming job market and a weak Canadian dollar. US and Canada, Page 10

BUSINESS NEWS

Tractebel chief told to step down or risk being ousted

Tractebel chief executive Baron Philippe Bodson has been told to step down or face moves by the Belgian energy group's largest shareholder to oust him. Companies and Markets, Page 17

Siemens' shareholders threw their weight behind a business plan that will allow the German engineering and electronics group to list on the US stock market. European companies, Page 18

Glaxo Wellcome, the UK drugs group, has forecast double-digit growth in profits and sales this year after maintaining flat earnings for 1998. Companies and Markets, Page 17; Lex, Page 16

Duke Energy, the US utilities group, ended months of speculation with a $2.1bn bid for a controlling 51 per cent stake in Endesa Chile, the country's largest electricity generator. Companies and Markets, Page 17

Crédit Commercial de France, the French bank, admitted it was vulnerable to a hostile takeover but said it would try to remain independent. International companies, Page 20

Eric Gleacher, one of Wall Street's best known bankers, bought back his firm from National Westminster Bank, the UK retail banking group. Companies and Markets, Page 17

Toronto-Dominion Bank, the Canadian bank, was helped by rapid growth in its discount brokerage business to a record first quarter. International companies, Page 20

Aoba Life will not be sold by the Life Assurers Association of Japan, after its search to find a buyer ended in failure. Asia-Pacific companies, Page 21

Honda Motor, the Japanese carmaker, lengthened its lead over its domestic rivals in the third quarter by raising net profits nearly 20 per cent. Companies and Markets, Page 17; Sales of mini-cars, Page 21

Bombardier, the Canadian aerospace and transportation group, announced a US$1.3bn sale of regional jet aircraft to Northwest Airlines, the US carrier. World trade, Page 5

Qantas Airways, Australia's flagship carrier, announced a 34 per cent increase in interim net profit, sending its shares up more than 6 per cent. Asia-Pacific companies, Page 21

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 36

WORLD MARKETS

STOCK MARKET INDICES			GOLD		
New York: Lunchtime			New York: Comex		
Dow Jones Ind Av	9258.92	(+43.45)		$287.1	(285.9)
NASDAQ Composite	2247.27	(-1.64)	London:		
Europe and Far East				$285.55	(285.15
CAC40	4039.41	(+53.98)	DOLLAR		
DAX	4845.08	(+34.98)	New York: Lunchtime		
FTSE 100	6074.9	(-3.5)	£	1.6368	
FTSE Eurotop 300	1198.55	(+1.04)	€	0.8928	
Nikkei	14146.79	(-11.88)	SFr	1.4281	
US Lunchtime RATES			Y	119.855	
Federal Funds	4¾%		London:		
3-mth Treas Bills: Yld	4.53%		£	1.6335	(1.6358)
Long Bond	98¼		€	0.8911	(0.8902)
Yield	5.34%		SFr	1.4243	(1.4228)
OTHER RATES			Y	119.82	(118.895)
UK: 3-mo Interbank	5⅝%	(same)	Tokyo Close		Y 118.8
UK: 10 yr Gilt	134.79	(134.77)	EURO (London)		
Euro Euribor	3.079%	(3.086%)	$	1.1222	(1.1235)
Germany: 10 yr Bund	106.21	(106.35)	£	0.687	(0.6867)
Japan: 10 yr JGB	99.365	(98.948)	Y	134.462	(133.555)
NORTH SEA OIL (Argus)			SFr	1.5984	(1.5981)
Brent Dated	$9.93	(10.06)			

© THE FINANCIAL TIMES LIMITED 1999 No.33,836
London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90 (€2.23)	Italy	L3900 (€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320 (€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr18.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325 (€1.95)
Finland	Fmk13.00 (€2.19)	Lebanon	LBP3.500	Sweden	SKr20.00
France	FFr14.00 (€2.13)	Luxembourg	LFr90 (€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80 (€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

For subscription information please contact:
Subscription Sales Department, The Financial Times Limited,
Number One Southwark Bridge, London, SE1 9HL.
Tel: +44 171 873 4288 Fax: +44 171 873 3428
E-mail: FTE.Subs@FT.com

LAFONTAINE WARNS THAT SPENDING CUTS COULD HAMPER GROWTH AND URGES POLICY FOCUS ON REAL INTEREST RATES

European economic policy rift intensifies

By Wolfgang Münchau in Frankfurt and Michael Smith in Brussels

Tension between the German government and the European Central Bank over economic policy intensified yesterday when Oskar Lafontaine, the German finance minister, said it would be "completely wrong" for governments to cut spending in the current economic climate.

The comment highlights the growing impasse in economic policy in the 11-nation euro-zone, as finance ministers and the ECB blame each other for the slowdown.

Mr Lafontaine has repeatedly called on the ECB to cut interest rates, while the ECB regularly admonishes euro-zone governments over their failure to reduce their budget deficits and debts.

Yesterday, as expected, the ECB left its benchmark short-term refinance rate unchanged at 3 per cent.

The bank said the outlook for price stability remained favourable with no inflationary or deflationary pressure on the horizon.

Speaking last night after attending the ECB's governing council meeting in his capacity as current chairman of the council of European finance ministers, Mr Lafontaine said: "One needs to save when the economy is growing but as the outlook for growth is uncertain it would be completely wrong to introduce [spending] cuts which could hamper growth in the future."

The rift at the heart of European economic policy is set to be exposed again at tomorrow's meeting of finance ministers and central bankers from the Group of Seven leading industrialised nations. The US plans to use the meeting in Bonn to urge Europe and Japan to promote domestic demand-led growth.

Mr Lafontaine and his advisers believe monetary policy is the most suitable instrument to stimulate the slowing euro-zone economy. They warned that if interest rates were not cut, governments would have to adopt an expansionary fiscal policy. Germany, the motor of the 11-nation bloc, has been hit hard by the drop in global growth.

The ECB believes that euro-zone governments' lack of fiscal discipline constitutes a potential threat to price stability, which in turn makes it more difficult for the bank to cut interest rates.

Speaking earlier in the day in the European Parliament in Brussels, Mr Lafontaine said the European policy debate should focus on real rather than nominal interest rates.

Nominal interest rates were relatively low but inflation was exceptionally low, he said. Mr Lafontaine dismissed suggestions that pressure for an interest rate cut might undermine the credibility of the euro. He said that in 1992 the US brought short-term interest rates down to zero when inflation was at 3.3 per cent. The dollar had not lost credibility then.

The 4 to 5 per cent fall in the value of the euro against the dollar had lifted a "certain burden" from exporters. It did not mean the currency was undervalued.

"It is quite normal that the dollar should be seeing stronger demand," he said. The fall was "not a problem".

Oskar Lafontaine addresses members of the European parliament yesterday

European news, Page 2
International news, page 4

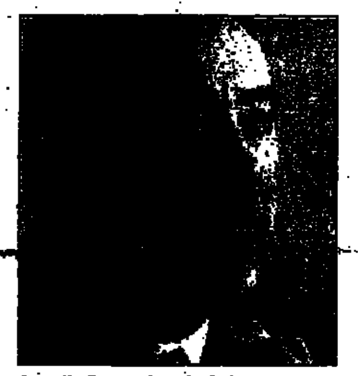
Gucci issues shares in move to block LVMH

By Alice Rawsthorn

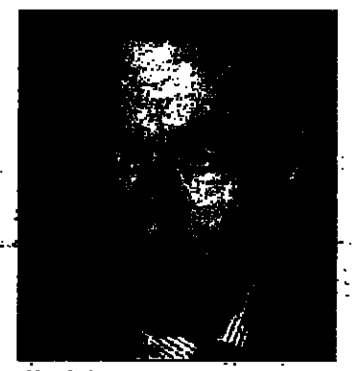
Gucci, the Italian fashion company, has declared war on LVMH, the French luxury goods group that has stealthily acquired 34.4 per cent of its equity, by issuing an equivalent number of new shares to block LVMH's voting rights.

LVMH, advised by Goldman Sachs, condemned Gucci's action as "unacceptable". The move involves issuing 20m new shares to an employee share option plan with an option to issue 17m more. LVMH intends to challenge the legality of the manoeuvre in the Netherlands, where Gucci is quoted, and through the European Commission.

As Gucci is also quoted in New York, LVMH has written to the Securities & Exchange Commission to verify whether the Italian company secured a waiver to increase its share capital by more than 20 per cent. If not, LVMH claims that Gucci could be delisted in New York.



Gucci's Domenico de Sole



LVMH's Bernard Arnault

Gucci, advised by Morgan Stanley, maintains that, under Dutch law and its own legal structure, it is entitled to issue up to 2.5 times its original share capital without seeking shareholder approval. Domenico De Sole, Gucci's president, told the Financial Times that it had verified the legality of the sale to the share option plan with "two top experts in Dutch corporate law".

LVMH's shares, which rose sharply when it was amassing its Gucci stake last month, fell by €11.80, ($13.21) or 5.6 per cent, to €200.70 in Paris yesterday. Gucci's shares, which had also risen on hopes of a full bid from LVMH, slipped by €1.90 to €56.90 in Amsterdam.

Tom Ford, Gucci's chief designer, who has been credited with turning the once-moribund company into one of the most sought after luxury labels of the 1990s, expressed "full support" for Mr De Sole and the issue.

The battle between Gucci and LVMH comes at a turbulent time for the $60bn global luxury goods industry, which is starting to emerge from a difficult period when sales slowed in the once-buoyant Asian market.

Luxury goods sales first showed signs of strain when the yen weakened against the US dollar two years ago. The industry's difficulties deepened last year when economic recession spread across Asia.

However, demand has remained robust in Europe and North America. Bernard Arnault, LVMH's chairman, who already controls the Louis Vuitton, Céline, Givenchy and Christian Dior luxury brands, is keen to increase LVMH's presence in the market in anticipation of an upturn.

After abandoning plans to acquire Sanofi, the French perfume company which owns the Yves Saint Laurent fashion house, late last year, Mr Arnault began buying Gucci shares early this year. He also formed a trading alliance with Prada, another prestigious Italian fashion house, and is in investment talks with a third, Giorgio Armani.

Lex, Page 16; Gucci raises the stakes, Page 18

Aegon pays $9bn for Transamerica

By Gordon Cramb in Amsterdam and John Authers in New York

Aegon, the Dutch insurance group, yesterday gained a place among the top three US life insurers by agreeing a $9.7bn takeover of San Francisco-based Transamerica.

The deal, the latest in a flurry of merger activity in the world financial services industry, will nearly double Aegon's US assets and revenues. It is aimed primarily at giving Aegon "critical mass" in the lucrative US retail savings and corporate pensions markets, where both companies have relatively small businesses at present.

In the US life market it will rank by assets behind Prudential of America and Metropolitan Life. Ranked globally by assets, the combine will stand third among listed life insurers, though some way behind Axa of France and Germany's Allianz.

Transamerica had been viewed as a potential takeover target for some time. However, Frank Herringer, the company's chief executive, said there had been no "auction", and talks had been held only with Aegon. He said Donald Shepard, head of Aegon's US division, had made the first approach several months ago.

Aegon will also take on $1.1bn in Transamerica debt. The $78 per share being paid – of which 30 per cent is in cash and the rest in Aegon stock – represents a premium of more than 35 per cent over the closing price for Transamerica in New York on Wednesday.

Shares in Aegon rose 5.5 per cent in Amsterdam although the group conceded that it expected a return on equity of 9 per cent for Transamerica, below its usual goal of 11 per cent.

It added that "the lower cost of capital in today's environment" justified the exception it was making. Transamerica's shares were one of the strongest performers in morning trading on Wall Street, gaining more than 26 per cent, up $15⅛ at $72⅜.

The deal takes Aegon into the Canadian market for life insurance, where it has had only a limited presence, and into life reinsurance. "Reinsurance has been a missing piece of our US operations," said Kees Storm, Aegon chairman.

Aegon, which was advised by Donaldson Lufkin & Jenrette, is to issue $4.2bn in new debt to raise the cash component. Transamerica was advised by Goldman Sachs.

Lifting tempo, Page 18
Lex, Page 16

CONTENTS

Business attacks IG Metall pay deal

By Tony Barber in Frankfurt

Employers and trade unions in Germany's metal industry struck a pay deal early yesterday, which came under immediate attack from business and economists as bad for jobs and competitiveness and dimming the prospects for an interest rate cut by the European Central Bank.

The agreement, reached in the state of Baden-Württemberg and amounting to a wage increase of between 3.8 and 4.2 per cent, averted the danger of a national strike. It also kept alive Chancellor Gerhard Schröder's hopes of uniting industry and labour behind a government-inspired effort to create jobs for the 4m unemployed.

However, businessmen described the settlement as higher than many German manufacturers could afford. Independent economists said it was likely to reinforce the ECB's resistance to German government appeals for a rate cut. "That was a bad result," said Klaus Fritsche, an employers' representative.

The settlement's terms, though not binding on other German states, are likely to apply across the national metal, engineering and electrical sector. They will set the tone for wage deals in the rest of the German economy and even elsewhere in the euro-zone.

"The German deal will be seen as a signal for trade unions across Europe," said Holger Fahrinkrug, an analyst at Warburg Dillon Read in Frankfurt. "Consequently, after two years of modesty, at least in German wage growth, the ECB is faced with a significant change in direction. If anything, the deal reduces the probability of another rate cut this year."

The settlement comprises a basic 3.2 per cent wage increase from March 1 until next February for the 3.4m workers represented by IG Metall, Germany's largest trade union. Workers will also receive a one-off payment of DM350 (€178, $201) for the first two months of this year.

In addition, companies will pay workers a one-off bonus of 1 per cent of their annual salary at any time between April and next January. Individual companies will decide the timing in consultation with their workers' councils.

Employers said the deal, taken as a whole, amounted to a 3.6 per cent wage increase over the 14-month duration of the settlement. However, IG Metall said the pay rise effective during the 1999 calendar year would be equivalent to 4.2 per cent.

The union had originally asked for a 6.5 per cent rise and had staged two weeks of warning strikes in pursuit of its demand. Union officials were visibly more pleased yesterday than employers with the outcome.

Heinrich von Pierer, the chief executive of the Siemens industrial group, estimated the pay deal would increase his company's costs by DM800m-DM900m a year. Economists said the blow would fall heaviest not on big companies such as DaimlerChrysler and Volkswagen, which would try to accommodate the higher costs through productivity gains, but on medium-sized firms that had less flexibility and needed wage settlements more tailored to their own circumstances.

Unusually, the employers' association Gesamtmetall declined to recommend that companies in other parts of Germany should adopt the deal agreed in Baden-Württemberg. The association believes businesses in less prosperous regions may not be able to afford the increase as easily as the multinationals in Baden-Württemberg.

However, Jürgen Peters, IG Metall's deputy head, warned employers all over Germany to model their agreements on yesterday's deal.

Economists said the settlement might boost German consumer spending and ensure that the government meets its target of 2 per cent economic growth this year. However, there may be a price to pay later in terms of higher unemployment, they said.

Editorial Comment, Page 15

Ankara aims to crush PKK rebels

By Leyla Boulton in Ankara

Turkey yesterday sought to capitalise on its capture of Abdullah Ocalan, leader of the Kurdish Workers' Party (PKK), by arresting members of another Kurdish political party and pursuing his supporters in northern Iraq.

After pouring 4,000 troops across the Iraqi border on Wednesday night to attack PKK guerrillas demoralised by the loss of their leader, the general staff of Turkey's powerful armed forces made it clear yesterday their overriding priority was to knock the PKK out of action altogether.

The general staff told the Financial Times that "removing terrorism from Turkey's agenda is dependent on neutralising terrorists". It also stated confidently that "both in Turkey and northern Iraq, terrorist organisations' capacity for armed action has been brought under control".

The statement added, however, that it was now time to "compensate for the years lost through terrorism" by extending "additional social and economic benefits" to the south-east, one of Turkey's poorest regions. Kurds are in the majority in the area, which has been home to a 15-year war between the PKK and the Turkish army, Nato's second largest.

The general staff blamed the stunted economic development of the south-east on the PKK, accusing it of "killing" thousands of innocent citizens, burning work places, health centres, villages and schools".

However, in a sign the authorities are far from beginning a political dialogue to address the grievances that fuel support for the PKK, Hadep, a non-violent, pro-Kurdish party, said 500 of its supporters had been taken into custody since Mr Ocalan's capture. Hadep, which stands to win the most votes in the south-east in general elections on April 18, denies any formal connection with the PKK.

Even moderate Kurdish representatives, hostile to the PKK, argue that social and economic measures would be insufficient to defuse local support for the guerrillas. They argue cultural concessions recognising Kurds as a separate ethnic group are also essential, including the right to broadcast in the Kurdish language and teach it at school.

Turkish politicians say a political dialogue with Kurds in the south-east is only possible once the elections are out of the way and a new government is installed. But some western analysts doubt whether a new government would make this a priority.

"The basic assumption is that if you give the Kurds an inch, they'll take a mile," said one western diplomat, referring to Turkish fears that what Kurds really want is an independent state. "It will take time to change this way of thinking."

Balkan nations close to accord

By Kevin Done, East Europe Correspondent

Bulgaria and Macedonia are close to resolving the long-running language dispute that has made it impossible for the two countries to sign any treaties since the early 1990s.

The prime ministers of the two Balkan neighbours are due to sign a joint declaration of principles in Sofia, the Bulgarian capital, on Monday. The agreement will allow them to side-step the thorny issue of Bulgaria's unwillingness to recognise the Macedonian language and nationhood.

Bulgaria was the first country to recognise Macedonia as an independent state when it broke away from former Yugoslavia in 1992. But fears of inflaming Macedonian minority issues inside Bulgaria, or of reviving long-standing nationalist Bulgarian claims to Macedonia, have prevented Sofia from recognising the Macedonian language.

Many Bulgarians consider Macedonian to be little more than a dialect of Bulgarian, while for the Republic of Macedonia, the language is a key element in its fragile sense of identity. It still faces hostility from Greece over the name of the country, which Athens refuses to recognise and claims that it represents territorial claims on its own northern province of Macedonia.

Within the European Union and the United Nations, the Republic of Macedonia is still known officially – at Greece's insistence – as The Former Yugoslav Republic of Macedonia, or FYROM, and at the UN it sits under the letter "T".

However, Macedonia's survival as an independent buffer state in the heart of the Balkans is considered by several countries as a crucial building block in creating stability in the region. Its significance has increased because of the peace efforts in the neighbouring Serbian province of Kosovo.

The formula agreed by Bulgaria and Macedonia will allow the countries to sign bilateral treaties in the languages recognised by the two countries' constitutions. "Bulgarian, in accordance with the constitution of the Republic of Bulgaria, and Macedonian, in accordance with the constitution of the Republic of Macedonia," said Marin Raikov, Bulgaria's chief negotiator.

Deal on Kosovo peace force still elusive

By David Buchan in Rambouillet

International mediators in the Kosovo peace talks yesterday claimed to have arrived at a workable political compromise between Serbs and Albanians, but agreement on a Nato-led force to supervise any peace deal still appeared far away.

With the end of the two-week negotiations set for tomorrow noon, the issue of a Nato implementation force is causing increasing friction, not only between the warring parties in Kosovo but also between Russia and its five western partners in the Contact Group of mediating countries.

In the wake of a warning yesterday from Boris Yeltsin, Russian president, against Nato and US air strikes, tension flared up publicly between US and Russian mediators at Rambouillet, even over the prospect of a Nato-led peacekeeping force.

At a press conference, Chris Hill, the US envoy, stressed the importance the US and the European Union placed on an international military presence to ensure peace in Kosovo. But his Russian counterpart, Boris Mayorski, dissociated himself and his country from any military presence in Kosovo. He denounced as "blatant lies" reports that Russia was trying to persuade Slobodan Milosevic, Yugoslav president, to accept a Nato force.

The US yesterday stepped up pressure on Belgrade by moving an extra 50 aircraft to Europe to join the aerial armada that Nato has assembled to bomb Yugoslavia if it is seen to block a peace deal. Madeleine Albright, US secretary of state, warned Mr Milosevic in a telephone call he would be "hit hard" if there is no peace deal and Nato attacks.

Meanwhile, in conjunction with its Nato and European allies, Britain will today start moving non-essential diplomatic personnel out of Belgrade. The diplomatic exodus from Belgrade is in part a precaution in case bombing starts and in part a threat to put pressure on the Serbian side in Rambouillet in the remaining hours.

The mediators worked until 3am yesterday morning to incorporate Serbian and Albanian amendments to their plan for Kosovo self-government. Yesterday evening, they said they hoped the two parties would accept this as "a final text".

One amendment, however, was to add a second chamber of nationalities to the Kosovo assembly, essentially to please the Serbs, who say they want to safeguard the rights of minorities. This change yesterday drew complaints from the Albanians, who said the second chamber would threaten the powers of the assembly that they will dominate.

As the negotiations enter their final hours with no tangible results so far, speculation is increasing that the endgame may be played out in Belgrade. Contingency plans exist for Robin Cook and Hubert Védrine, the UK and French foreign ministers co-chairing the talks, to make an 11th-hour visit to Belgrade tonight.

Personal View, Page 14

Serbs shrug off threat of Nato strikes

By Guy Dinmore in Belgrade

"We love you, our fatherland. With your name on their hearts, our army is marching."

Greeted by this stirring jingle, several million Serbs tune in daily to state television news to be shown military propaganda reminiscent of the cold war: Serbian jets, helicopters and troops splashing up beaches, interspersed with images of Orthodox churches in Kosovo province.

Serbia, say Slobodan Milosevic, the Yugoslav president, and the country's newsreaders, will not give in to Nato bombing threats. No foreign troops will be allowed into Kosovo, fabled heartland of the first Serbian kingdoms.

By noon tomorrow, the "final" deadline set by western mediators for the conclusion of peace talks in France, the people of Serbia should know whether to man the ramparts against Nato jets. If, however, they should learn that Mr Milosevic has once again given way at the last moment, he can expect little backlash.

Commentators say the last hope for Mr Milosevic, with backing from Russia, is to exploit differences among Nato members over the use of firepower to wring out further concessions. But if the hard line of the US and Britain prevails, then analysts believe he has little choice but to accept a foreign peacekeeping force in Kosovo.

"Milosevic is still partial to stories of future heroic resistance by the Serbs if Nato troops come to Kosovo, but many more reasonable people within the regime, and most of the public, realise the hopelessness and impossibility of resistance against a superior enemy," commented Belgrade's VIP newsletter. "If nothing else, Milosevic's wife, Mira Markovic, an ideological utopian but also a very pragmatic person, will probably warn her husband that their family may personally suffer in case of Nato strikes."

While western embassies evacuate families and staff ahead of Saturday's deadline, the mood on the streets of Belgrade is one of indifference.

In October, when Nato came close to launching air strikes, the authorities urged people to familiarise themselves with long-forgotten air raid shelters. Leaflets urged everyone to stock up on food, batteries and candles.

This time, there is no such sense of alarm. On overcrowded buses and trams, conversation turns instead to ever bigger electricity and telephone bills and which supermarket has a fresh consignment of scarce sugar and cooking oil.

"Are you going to bomb us or shall we paint the house?" asks graffiti scrawled on one dilapidated building.

Should Serbia's strongman for the past decade submit to Nato's demands, his next challenge would be to sell his policy turnaround to his people without diminishing his stranglehold on power.

Snjezana Milivojevic, with a doctoral thesis on manipulation of the public by Serbia's official media, says RTS, the state broadcaster, will have no trouble in changing track and still persist with the "myth" of national consensus.

"RTS in the long run is preparing the public to accept what the parties in power decide," she said. "There are no problems in sudden policy changes or ditching of allies."

In the year since war against ethnic Albanian separatists erupted in Kosovo, Serbs have already been subjected to twists and turns in the government's policy. In a referendum last April, they voted, as instructed, overwhelmingly against foreign involvement in Kosovo. But US-mediated talks began and in October Mr Milosevic was forced to accept 2,000 foreign observers. The Serbian delegation at the Rambouillet chateau near Paris at first refused to negotiate with "terrorists" but later demanded face-to-face talks.

Ms Milivojevic dismisses the suggestion of another academic that Serbs "have the memory of hens" but says people are simply worn out.

Surveys by Srbobran Brankovic, a sociologist and pollster, show most Serbs do harbour radical feelings towards Kosovo, with half wanting no change and only 20 per cent accepting more autonomy for the province and its ethnic Albanian majority.

Similar nationalist sentiments prevailed before the Dayton treaty that ended the Bosnian civil war in late 1995. But, Mr Brankovic says, over 60 per cent of Serbs now support that deal.

"It's not so difficult for Milosevic to persuade people to accept any political solution," he says. "If official policy changes, then people will too and they would accept a Nato peacekeeping force."

His opinion polls – which find no space on state television – indicate, however, that the ruling Serbian Socialist party (SPS) and its main coalition partner, the ultra-nationalist Serbian Radical party, are in trouble. Support for the SPS, he estimates, has plunged to about 20 per cent of the electorate – mainly pensioners and farmers – while the Radicals have slumped in popularity since joining the government last March.

"There is a strong argument that the SPS is in deep crisis. The problem for Serbia is there is no alternative," Mr Brankovic says. "If there was a strong opposition party, with a real programme, then the SPS would lose its power."

But, for the moment, there is not. Mr Milosevic has seen off several opposition coalitions over the last decade, wooing some parties into government and consigning others to oblivion.

While westerners move out ahead of Saturday's deadline, the mood in Belgrade is one of indifference

Turks, Kurds in Germany fear more violence

By Frederick Stüdemann in Berlin

Few people were giving their names yesterday in Kreuzberg, the run-down district that houses much of Berlin's Kurdish and Turkish communities.

"I'll talk to you, but I don't want my name or business to appear in the paper because who knows, someone might read it and decide to fire-bomb me again," said a Turkish travel agent.

The last time his business went up in flames, the travel agent was a victim of feuding within Berlin's Turkish community. Yesterday, he was worried that the wave of violence that has engulfed German cities since the capture earlier this week of Abdullah Ocalan, the Kurdish separatist leader, might lead to attacks on Turkish businesses.

In other German cities, such attacks have already taken place, growing worse since the fatal shooting on Wednesday of three Kurdish protestors outside the Israeli embassy in Berlin.

Yesterday, police detained hundreds of Kurdish protesters in Berlin, Bielefeld, Bremen, Wiesbaden, Heilbronn, Chemnitz and Stuttgart after incidents that included petrol bomb attacks on Turkish offices and a baseball assault on a Turkish restaurant.

But security officials in the country's 16 federal states were split on whether to take up proposals by Otto Schily, the federal interior minister, to ease deportation rules for violent Kurds.

At the Kreuzberg branch of Isbank, a Turkish bank, a security guard blocked the door, letting customers in only one at a time. "We have to protect ourselves and our customers," explained the manageress, who said headquarters had told her to call in protection on Wednesday.

But Kurds and Turks alike sought to stress that, despite the events of recent days, relations between the two communities remained largely peaceful.

Raof Asar, a Turkish streetsweeper, said relations between "normal people" on both sides was calm. "Turks and Kurds visit the same mosques and go to the same cafes. It is the same as in Turkey, where people have been living together for thousands of years."

"Relations are not remarkable, but there is no hostility," said "Kadar", a member of the board of the Kurdish Community in Berlin. He said difficulties only arose when members of the PKK or Turkish extremist groups were involved.

Both sides were also agreed that the events of this week could have a negative impact on the debate over liberalising Germany's citizenship laws, which could benefit the estimated 2m Turks and 500,000 Kurds living in the country.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.

GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:
Responsible Publisher: Bradley P. Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

Poised to pass with flying colours, at least on paper

Despite changes, the German electricity market is still marked by many barriers and impediments, writes **Frederick Stüdemann**

Electricity liberalisation

Germany's electricity industry is set to emerge with flying colours from a European Union deadline today – at least on paper.

The EU directive, which allows large industrial and commercial customers to choose their power supplier, was implemented last year and the effects of increased competition have already become apparent.

Analysts estimate that prices charged to medium-sized industrial and commercial users have fallen by some 10 per cent over the last year. Prices for bigger customers have fallen by up to 25 per cent, though not all such cuts are linked to liberalisation.

Liberalisation has also created new business areas, establishing groups as electricity brokers, who make aggregated purchases on behalf of several customers.

The whole process has taken on added significance because of government plans to phase out nuclear power, which accounts for about a third of electricity consumed in the country.

The government says it plans to replace nuclear energy with a new "mix" made up of imports from other liberalised EU countries, reduced energy consumption and renewable energy. But, despite the changes, the electricity market is still riddled with impediments.

Although the companies operating the national grid were obliged to allow third-party access to the network when the liberalisation measures were pushed through last year, they were not forced to sell off their assets.

As a result, new entrants to electricity distribution will still have to rely on other companies' networks to transmit power. Comparisons between the prices of different grid operators have been made difficult, because grid owners are not obliged to publish prices for access to the network.

Companies fear foreign competition

PwC, the accountancy group, yesterday issued a survey on preparedness for EU electricity deregulation, writes Robert Corzine in London.

The survey showed that companies in the $130bn a year EU electricity market expect foreign companies to try to poach large customers from domestic utilities.

It also suggests that many European electricity companies fear they will be left with long-term fuel supply contracts, which could prove to be a big financial burden in a competitive market.

The survey lists EU countries' preparedness for deregulation in descending order: Sweden, Finland, UK, Denmark, Germany, Luxembourg, Spain, Netherlands, Austria, Belgium, Italy, Ireland, France, Portugal, Greece.

The sector lacks an independent regulator, unlike the telecommunications sector, where the regulator has played a central role in pushing forward competition since liberalisation last year. Consequently, complaints about access to the electricity system need to go through the courts and the federal cartel office.

A further impediment has come from utilities which have attempted to block new entrants from using their networks. Enron, the US energy group, was told by a utility in western Germany that for technical reasons it could not use its networks to fulfil contracts. The cartel office ruled in Enron's favour.

Industry executives and analysts say liberalisation will drive down prices and change ownership structures throughout the distribution end of the market.

"We are going to see massive concentration here over the next five years," said an executive from one of the big German energy groups.

The focus of attention will be the 700 or so mostly publicly owned distributors, whose municipal or communal shareholders see privatisation as a means of plugging gaps in their budgets. These have been targeted by the big domestic generating and transmitting companies which are seeking to extend their reach to end-consumers.

Foreign investors have identified local distributors as the best point of access to the market. Sometimes foreign and domestic companies have found it beneficial to pursue distributors together. Berlin's Bewag utility was bought by a consortium led by Veba, Viag and Southern Company of the US.

For the German companies the presence of a foreign investor soothed concern from the cartel office. Chris Rowland, energy analyst at Merrill Lynch in London, says such link-ups could become the established pattern for entering the German market. Foreign investors "would have to be very brave or stupid to want to come in and ignore the established players".

This is the last in a series of articles, which can be seen on the web at http://www.ft.com/europe

Competition switch-on, Page 15

EU employers back fixed-term workers deal

By Michael Smith in Brussels

European Union employers yesterday backed a deal giving legal protection to millions of fixed-term contract workers against discrimination in areas such as working hours and holidays.

The agreement, likely to be approved by EU governments and unions, would limit the use of successive contracts and "improve the quality of fixed-term work".

The EU has about 17m fixed-term workers in a total workforce of 150m.

Some are already protected against discrimination in national laws, but most countries would have to amend their legislation to comply with the EU initiative.

Unice, the European employers' federation, said *its members had approved* unanimously the terms of a draft agreement with the European Trades Union Congress (ETUC).

The agreement was hammered out in 10 months of negotiations prompted by the European Commission, which had threatened to bring forward its own legislation unless the two sides came to a deal.

Unice said the deal meant there would be a common EU approach to fixed-term work which would become part of Europe's flexible labour market.

The fixed-term contract deal, to be considered by ETUC next month, is the third agreement between employers and unions under the EU's "social protocol" arrangements. The others covered part-time work and parental leave.

The fixed-term agreement is less *prescriptive* than some employers had feared, leaving much of the implementation to member states.

National laws, it suggests, should require "objective reasons" for justifying the renewal of contracts, stipulate maximum durations for contracts or limit the number of contract renewals.

The proposed legislation excludes temporary workers supplied by agencies.

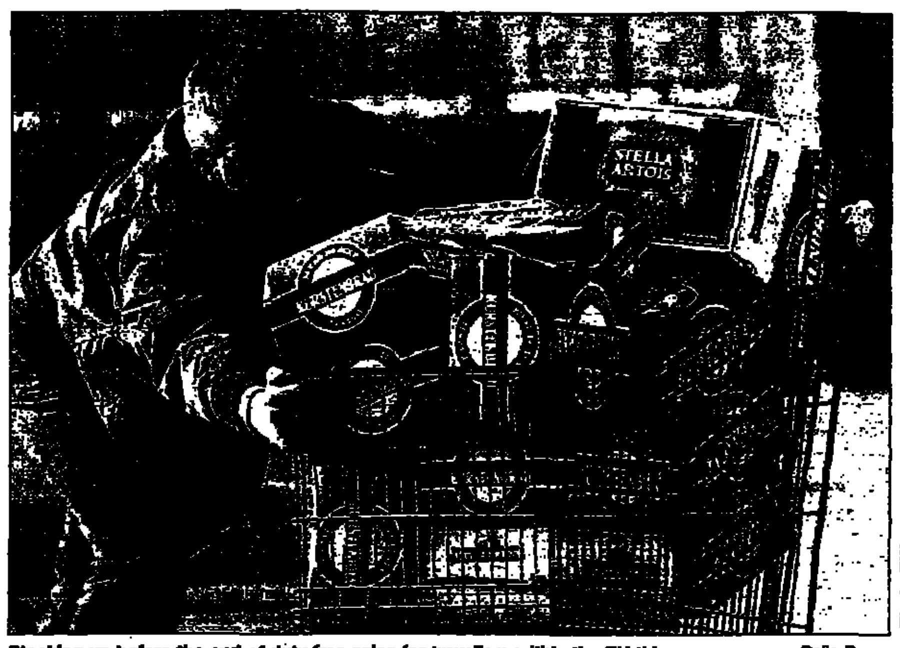
*At the European parlia*ment yesterday, Oskar Lafontaine, German finance minister, said fixed-term contracts allowed greater flexibility and covered about 15 per cent of the German workforce.

A qualified majority of EU governments must back the agreement if it is to be transposed into national laws. It is thought unlikely member states would reject a deal supported by employers and unions.

CHALLENGE TO BRUSSELS COMPANIES PLAN TO EXPLOIT TAX LOOPHOLES

Ferry operators fight for duty free

By Tim Burt in Stockholm and Clare MacCarthy in Copenhagen



Stocking up before the end of duty free sales for travellers within the EU this summer Colin Beere

Scandinavian ferry operators are planning to exploit tax loopholes and seek legal rulings allowing them to maintain duty free sales in spite of the proposed abolition of such retailing in the EU this summer.

Four companies – including Stena Line, the world's largest ferry operator – have drawn up separate proposals on how to avoid the loss of duty free income, which accounts for almost a third of their total revenues.

The action by Stena, Scandinavian Seaways, Silja and Viking Lines represents the first formal challenge to this week's decision by the European *Commission to* push ahead with the abolition of duty free sales in the face of opposition from the UK and German governments.

Stena, which serves routes to Scandinavia, the UK, the Netherlands and Ireland, is seeking a European Court ruling that the Commission has no jurisdiction over retailing in international waters.

"We want to push this through the European Court; a favourable ruling would allow duty free to continue on such routes," said Bo Lerenius, vice-chairman of Stena, which also operates services between the UK and France in a joint venture with P&O of the UK.

Other Scandinavian operators have decided to divert intra-EU traffic via ports outside the single market, enabling them to avoid the new duty free rules.

Scandinavian Seaways has begun rerouting its Swedish-UK sailings via Kristiansand in Norway. Silja and Viking, the Baltic Sea ferry companies, will this summer divert Stockholm-Helsinki services via Aland, the small Finnish island that enjoys tax free status.

Silja, which carries 5.8m passengers a year, said services between Helsinki and Rostock in Germany would call in addition at Tallinn, the Estonian capital. "This way we can preserve a business *that* generates more than 30 per cent of our sales," the company said.

The combined value of intra-EU duty free sales in the Nordic region of Demark, Finland and Sweden last year was $1.8bn.

In a separate development, one of the region's largest charter airlines is hoping to preserve in-flight sales by offering passengers duty paid alcohol and tobacco sourced from Spain and Greece, where sales and excise duties are far lower than in Scandinavia.

In Sweden, duties on wine and spirits are about three times higher than the EU average.

Premiair, the Danish carrier handling 1.6m passengers a year, is understood to be exploring warehousing arrangements close to holiday destinations to ensure supplies this summer. Passengers will be able to pre-order alcohol and tobacco over the internet.

Skandinavisk Tobakskompagni, the Nordic region's largest cigarette maker, is seeking similar facilities in Germany to provide duty paid tobacco to Danish consumers crossing the border.

Madrid challenges regions over 35-hour week

By David White in Madrid

The Spanish government is trying to stem a growing movement by local and regional authorities to introduce a 35-hour working week. The central government has launched legal challenges in several cases and threatened others to stop the trend gaining hold.

The main trade unions are campaigning to standardise a 35-hour working week, while the opposition Socialist party wants to move towards that end. The theory is that restrictions on overtime will create more jobs.

But the centre-right government opposes any legislative step on working hours. It is concerned that a shorter working week would jeopardise some sectors' competitiveness and is determined to stop a precedent being set in public administration.

Although Madrid officially keeps an open mind on voluntary agreements, leaving unions and employers to negotiate deals of their own, employers' leaders firmly oppose a 35-hour standard.

Spain currently has a set 40-hour maximum, calculated on an annual basis, although officials say the average in labour agreements is now about 38.

The central government is taking court action in the Catalonia region to stop the 35-hour norm being set for municipal employees. This follows moves by the city council of Tarragona and a dozen other towns in the region, mostly in the industrial belt around Barcelona, to cut working hours.

The councils are mostly controlled by Catalan nationalists or Socialists, with two led by independent mayors and one by a Communist. The dispute also affects the Socialist-led Barcelona provincial authority.

The Socialist regional government in Andalucia, Spain's most populous region, last week reached a 35-hour week deal with unions covering its 40,000 employees outside the health and education systems. The change, estimated to cost Pta6bn (€36m, $40m), should create more than 2,000 jobs.

Madrid officials accept the Andalucia authorities are entitled to regulate their staff's conditions but they do not want to allow the same terms to be applied to other public sector employees in the region.

Last month the Andalucia government issued a decree offering incentives to companies introducing a 35-hour week. José Torres Hurtado, the Madrid government's chief representative in the region, called the initiative "an error", saying it could discourage investment.

The plan is aimed at creating 15,000-20,000 jobs in three years.

The quarrel has added to a growing impression of disarray in Madrid's relationship with the regions. Last week the Spanish cabinet demanded the Andalucia government withdraw a plan to supplement the lowest state pensions.

NEWS DIGEST

RUSSIAN FINANCIAL DISPUTE

President of Eurobank defends bank's position

Eurobank, the Paris-based offshoot of Russia's central bank at the centre of a financial dispute in Moscow, claimed yesterday it had received a total of just $1.7m in fees for managing billions of dollars of the country's hard currency reserves.

Andrei Movchan, Eurobank's president, said the bank had received one-sixteenth of 1 per cent of the sums it handled every year, which, he claimed was below the market rate. He also confirmed its Jersey-based Fimaco fund never held more than $1.4bn at any one time. Russia's prosecutor general caused controversy this month when he alleged that the central bank had secretly transferred $50bn to Fimaco, earning commissions for its friends.

But the central bank confirmed it had received a letter from the International Monetary Fund asking it to explain the dispute surrounding Fimaco. The bank claimed the IMF knew Russia held part of its hard currency reserves offshore but was not aware of the precise details. **John Thornhill, Moscow**

EUROPEAN COURT OF HUMAN RIGHTS

UK censured over Gibraltar vote

The European Court of Human Rights yesterday condemned Britain for denying a Gibraltar woman the right to vote in European Parliament elections. As a British colony, Gibraltar is part of the European Union and as much subjected to EU laws as anyone else in the union, it ruled.

Consequently, its residents must have the right to vote in elections for the 626-member EU assembly, said the court. Gibraltarians cannot vote in European or British elections. The court ruling effectively orders Britain to extend voting rights to Gibraltar. That may be difficult, because Britain has always used a 1976 EU law, rather than a national election law, to prevent Gibraltarians from voting in European elections.

To amend the EU treaty requires the approval of all 15 EU governments. Given tensions between Britain and Spain, which contests British rule over Gibraltar, Madrid may veto any move to grant Gibraltarians the right to vote for British candidates in European elections. **AP, Paris**

INSURANCE MONOPOLY ABOLISHED

Czechs open up motor market

The Czech cabinet has agreed to abolish the monopoly of the country's dominant insurer and allow competition for third-party motor insurance from the start of next year.

The move has been discussed for eight years and has been eagerly awaited by foreign insurance companies. However, the measure will be hotly debated in parliament, which could cut short the time insurance companies have to prepare for any change. Moreover, the government has said it wants to set minimum and maximum premiums for five years which could protect Ceska Pojistovna, in which the state still holds a 30 per cent stake.

Ceska Pojistovna, which has about 80 per cent of the insurance market, said it would now be able to set premiums according to clients' driving records. The company received Kc6.2bn ($184m) in third-party premiums in 1997 – 20 per cent of its business. **Robert Anderson, Prague**

CONTRACTS & TENDERS

COMMERCIAL BANK OF GREECE

INVITATION TO SUBMIT BINDING OFFERS FOR THE PURCHASE OF 51% OF THE SHARES OF IONIAN & POPULAR BANK OF GREECE S.A.

Further to the publication of the "Invitation for expressions of interest in the form of non-binding offers for the purchase of 51% of the shares of Ionian & Popular Bank of Greece" ("Ionian") and on the basis of Article 6, paragraph 1(b) of Greek Law 2000/1991, Commercial Bank of Greece S.A. (the "Company") announces today that the majority (51%) of the shares of Ionian are offered to sale. Morgan Guaranty Trust Company of New York ("J.P. Morgan") has been appointed as financial adviser for the sale. The sale procedure will be an international tender offering in which only parties who participated in Phase I of the procedure and submitted non-binding offers ("Eligible Interested Parties") may participate.

A. Object of the Sale

The sale of shares refers to the sale of fourteen million two hundred and eighty one thousand six hundred and sixty (14,281,660.-) registered voting shares, owned by the Company, representing 51% of Ionian's total share capital. The offers to be submitted must be offers for the entire 51% of the shares of Ionian.

B. Terms and Conditions for Submitting Binding Offers

1. The present tender will take place in accordance with the provisions of article 6, paragraph 1(b) of Greek Law 2000/1991 as in force today, and with both the terms included in this invitation and with the terms provided in the "Procedures Letter", which will be made available to Eligible Interested Parties by J.P. Morgan. Submission of an offer implies the acceptance without any modifications of those terms by the bidder. Reservations or proposals of different terms and conditions shall be disregarded.
2. Eligible Interested Parties are invited to deliver sealed binding offers to the premises of J.P. Morgan at the address given below by 5:00 pm London time on March 26, 1999. Offers received after this time will not be accepted and will not be taken into consideration.
3. Offers must be accompanied, on penalty of invalidation, by a "Letter of Guarantee" to the amount of GRD 5,000,000,000.- issued by a bank legally established and operating in Greece or in another European Union member state, to the satisfaction of the Company. Should the Eligible Interested Party itself be a bank or belongs to a group of banks then the Letter of Guarantee must be issued by a third party bank which must also comply with the requirements outlined above. The text of the Letter of Guarantee will be provided to the Eligible Interested Parties as an attachment to the Procedures Letter.
4. Eligible Interested Parties will receive and be able to comment on and discuss the draft share purchase agreement, which shall be attached to the Procedures Letter as an appendix, before it is submitted as part of the offer.
5. Eligible Interested Parties will have at their disposal adequate time to review and investigate Ionian and form their own view as to its condition.
6. The submission of an offer implies that the Eligible Interested party is fully aware of, and accepts, the present factual and legal position of Ionian.
7. Offers must explicitly state the total purchase price for the 51% of the shares of Ionian, payable in cash in Greek drachmas.
8. Offers must explicitly describe the sources and the availability of the relevant funds to finance the payment of the purchase price for 51% of the shares of Ionian.
9. Offers must explicitly state and confirm that the Eligible Interested Party is not acting as a broker or agent of any third party.
10. Offers must be accompanied by a Business Plan with respect to the future development of Ionian.
11. The criteria for the evaluation of offers will be based on the purchase price offered, the changes to the share purchase agreement, the Business Plan and on the description of the sources and availability of the funds necessary to finance the payment of the purchase price.
12. The Company retains the right, for a time period of up to twenty (20) business days as from the date of submission of the binding offers, to negotiate, through J.P. Morgan, with any of the Eligible Interested Parties who submitted a binding offer, the terms of their offer. This right may or may not be exercised at the discretion of the company.
13. If the Eligible Interested party whose offer is selected by the Company fails to execute the final share purchase agreement in the terms contemplated by its offer, when requested to do so by the Company, the amount of the Letter of Guarantee provided by that party shall be forfeited to the Company as a penalty, without prejudice to any further claims the Company may have against that party. Each Eligible Interested Party submitting an offer acknowledges that the amount covered by the Letter of Guarantee is fair and reasonable compensation to the Company in case of such forfeiture. The above terms apply mutatis mutandis in case that any of the Eligible Interested Parties who has submitted a binding offer fails to comply with the terms of the present invitation and/or with the terms of the Procedures Letter and/or with the terms of its offer.
14. The Company retains the right to declare the sale process void for any reason, including that the prevailing offer is not judged wholly satisfactory.
15. The Company retains the right to modify the terms of the present invitation, including the deadline for the submission of binding offers provided that the Eligible Interested Parties involved in the tender process are informed in writing.
16. Eligible Interested Parties do not acquire any right, claim or demand from the present invitation and from their participation in the tender process, against the Company or its advisers for any reason or cause whatsoever.

The present document has been drawn up in the Greek language and translated into English. The Greek text prevails in any dispute.

Requests for any further information in relation to the present invitation must be addressed to J.P. Morgan as follows:
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
PO BOX 161, 60 Victoria Embankment
London EC4Y 0JP
ENGLAND
Attn: Mr Terence Eccles
Tel: +44 171 325 4169
Fax: +44 171 325 8261

G7 ECONOMIC DEBATE

WASHINGTON AMERICANS CEASE DISPENSING ECONOMIC ADVICE TO EUROPE AND JAPAN

Sudden silence falls as US stops the preaching

By Gerard Baker in Washington

The US heads into this weekend's G7 meeting in the familiar and enviable position of being the only one of the seven countries whose immediate economic prospects look decidedly rosy. Most economists agree with the assessment this week of Robert Rubin, the Treasury secretary, that the US should continue to enjoy "solid growth with low inflation".

But there is little sign of either celebration or gloating among senior administration officials. Instead, Mr Rubin and his colleagues will use this weekend's meetings to emphasise their concern that the imbalances in the world economy are not sustainable for ever.

They are eager to press the case again that the other G7 countries should do more to stimulate their economies.

While the US has bounced back from the financial turmoil of last year with ease, officials have watched with growing disquiet as Japan has grappled with its economic debility and European growth has stumbled.

Weak growth overseas worries the US both for its potential to plunge emerging markets – and perhaps the US – into renewed crisis. But it also produces a very tangible and immediate concern – a soaring American trade deficit.

This week Mr Rubin told reporters once again that the "balance of risks in the world economy had changed" and that it was up to Europe and Japan to supply more growth.

But what exactly should those countries do?

Oddly, while American officials have been busy dispensing advice to the rest of the world for the last few years, in the weeks running up to this weekend's meeting, they have been less forthcoming than usual.

All they have been prepared to say publicly about Europe is that governments must press ahead with structural reforms.

While this may be a sound prescription for the longer term success of the euro-zone economy, as a means of promoting domestic demand-led growth in the near future it is lacking. On the more immediate question of whether Europe should take action immediately to stimulate its economy through lower interest rates, the US has been silent.

Even more curiously, Mr Rubin was unforthcoming this week on the details of Japanese policy. He refused to comment on the latest significant shift in Japanese strategy – easing monetary conditions by lowering interest rates at both the short and the long end of the yield curve. The US has been urging Japan to stimulate its economy for several years now, and it might have been assumed that these latest measures were exactly what Mr Rubin had ordered.

But Mr Rubin's silence – and Treasury officials' subsequent refusal to elaborate on their ideas for either Japanese or European policy – is odd.

It may simply be that the US is keeping its powder dry for the G7 deliberations; or perhaps the US does not want to complicate already difficult struggles among policymakers in both Japan and Europe.

But part of the explanation may lie in the fact that the current global economic conditions pose a dilemma for the US too.

Lower interest rates in Japan and Europe would clearly help stimulate growth. But they would almost certainly lead also to a strengthening of the US dollar. For both economic and political reasons, the US administration may not be keen on this.

In the short term at least, the dollar's appreciation might only make the country's vast current account deficit much worse.

CURRENCIES

Proponents of target zones decide to bide their time

By Alan Beattie in London

For finance ministers debating the management of the world's large currencies at the G7 meeting in Bonn this weekend, target zones have become the policy that dare not speak its name.

The issue saw renewed interest after Oskar Lafontaine, the German finance minister, started to advocate target zones – fixed bands outside which currencies are not permitted to move – last autumn.

Mr Lafontaine saw the new tripolar world of euro, dollar and yen as a chance to let his *dirigiste* instincts come to the fore and limit the ability of financial markets to blow economies off course.

But the opposition of the US and the UK, both of which have a more *laissez-faire* approach to policy than the German finance minister, has ensured that agreement on any formal system is extremely unlikely.

Robert Rubin, US Treasury secretary, said on Wednesday he expected the G7 to improve international data dissemination standards to strengthen countries' reporting of their reserve position. He also expects constructive discussions on a report by Hans Tietmeyer, president of the Bundesbank, on how to improve policy co-ordination among national and international financial authorities. But on currency management, he pointed out that the G7 was still divided.

These public disagreements have led to supporters of target zones making a tactical retreat from pressing such a sensitive issue. Dominique Strauss-Kahn, the French finance minister, and Kiichi Miyazawa, his Japanese counterpart, both supporters of target zones in principle, have acknowledged that the time is not yet right for their acceptance.

But extreme currency volatility over the past year, including an unprecedented 20 per cent collapse in the dollar against the yen in a few days last October, has increased the demand for wild swings in exchange rates to be contained. This week Japanese officials have engineered a fall in the yen. Active international management of currencies would remove the need for such politically motivated palliatives, some say. But many think Tokyo's action was no more than a sop to the US's desire for Japan to get its economy going, and that Japan supports currency management only as an alternative to implementing a coherent domestic monetary policy.

Since the collapse of the Bretton Woods order – essentially a system of very tight currency bands – in the early 1970s, attempts to manage the world's large currencies have generally been *ad hoc*. There have been occasional episodes of central bank intervention, whether internationally co-ordinated as with the Plaza Accord in the 1980s or unilateral as with the Bank of Japan's decision to sell yen last month.

The only explicit attempt to implement global target zones, following the Louvre Accord in 1987, failed within months and left policymakers scarred. The 1992 ejection of sterling from the European Exchange Rate Mechanism (ERM) also left its mark.

In theory target zones are self-policing. Currencies approaching the edge of the zone automatically retreat as traders realise that continuing to push the price further out will leave them on the wrong side of the market.

But adopting fixed zones, especially when the performance of underlying economies is so disparate, merely invites speculators to attack the system, say its critics. If the market believes that the target is set at the wrong level, and the political and economic costs of maintaining it are too large, the virtue of the system becomes its vice and destroying the target a one-way bet for speculators.

Some, such as Fred Bergsten, director of the influential Institute of International Economics in Washington, argue that these faults can be avoided if the permitted bands are set wide enough, perhaps 15 per cent either side of the mid-point. The post-1993 ERM, where bands of this size appeared to kill speculation, has made this idea look more attractive.

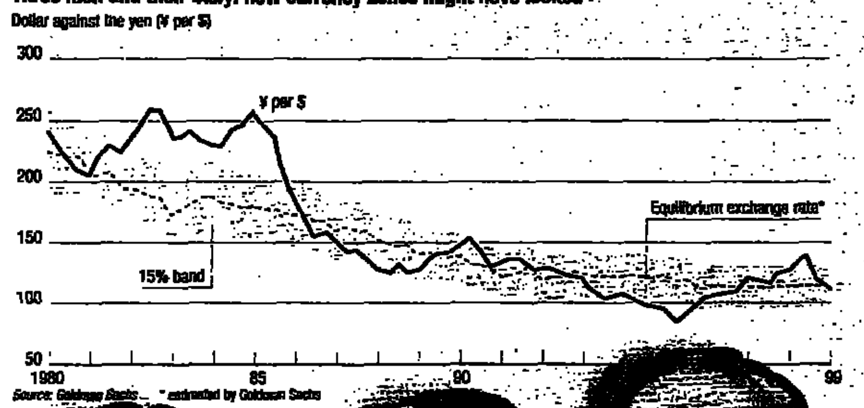
But other analysts say that target zones this wide will rarely bite. Jim O'Neill, chief currency economist at Goldman Sachs in London, says that if the euro behaves as the D-Mark did against the dollar, very rarely in the past 10 years would 15 per cent target zones have constrained movements in the currency. Even with the more volatile dollar-yen rate, a wide zone centred on Goldman Sachs' estimate of the equilibrium exchange rate would have had relatively little effect, he says.

One thing seems certain. Whatever compromise on exchange rate policy is thrashed out this weekend, it will be no more structured than the present impromptu arrangements. Those finance ministers hankering after a full-blown system are more likely to press for an admission that currency movements are not always best left to the market.

But if exchange rates continue to fluctuate out of policymakers' control, the demand for the irrational exuberance of currency traders to be permanently constrained may well return.

Three men and their baby: how currency zones might have looked

Dollar against the yen (¥ per $)



Source: Goldman Sachs * estimated by Goldman Sachs

JAPAN

Tokyo hoping to stay in shadows

By Gillian Tett in Tokyo

Japanese officials will be hoping the European, not the Japanese economy dominates the agenda in Bonn tomorrow, because a year after Japan first dipped into recession recovery remains elusive.

The continuing gloom is not only prompting concern in countries such as the US, but dividing the Japanese government over policy.

Some senior officials have gone on the offensive ahead of the G7 meeting. Taichi Sakaiya, of the Economic Planning Agency, for example, has declared that the Japanese economy will grow by 0.5 per cent or more in fiscal 1999.

The Japanese will arrive in Bonn waving a list of measures they have taken to boost demand. Last November, for example, the government approved a Y24,000bn ($200bn) stimulus package. A week ago, the government decided to pump at least Y7,450bn of public funds into the capital bases of the largest banks. And on the same day the Bank of Japan announced it would reduce the overnight call rate in the markets from 0.25 per cent to a record low of 0.15 per cent.

But these measures have not convinced the US that the economy is indeed about to rebound. Japan took another step this week to boost growth by indicating it would let the yen weaken.

But given mounting US-Japan trade tensions, Washington is unlikely to back this policy enthusiastically in public and Japan's ministry of finance does not want to irritate the US by supporting calls from some European governments for a new exchange rate regime. "This is not something which we want to promote openly by ourselves," says one.

In recent weeks US officials have suggested that Tokyo should consider radical action to stimulate the economy. The US has officially denied it wants Japan to cut interest rates, but Treasury officials would be unlikely to object if it did.

Masaru Hayami, Bank of Japan governor, who will attend tomorrow's meeting, remains deeply wary of such a move, and he and Kiichi Miyazawa, Japan's finance minister, will probably try to duck the issue. But the question of whether or not to relax monetary policy remains an awkward one for Tokyo – and the Japanese must hope that the G7 spotlight does not turn to the state of their economy.

EUROPE

Lafontaine's balancing act on exchange rate policy

By Wolfgang Münchau in Frankfurt

The Europeans have been toning down their rhetoric over a new global financial architecture in the hope of avoiding embarrassment and failure at the G7 meeting.

Instead, they are now resigned to a more gradual agenda of improved global policy co-ordination, starting this weekend and to be followed by two further mammoth sessions in March and April that include the G7 plus 30 other countries.

The debate in the run-up to this weekend's meeting has been dominated by Franco-German proposals to stabilise global currency fluctuations and avoid excessive speculation in foreign exchange markets. The US is firmly opposed to any ambitious global exchange rate regimes that would require the US administration to subject domestic economic policy to an external exchange rate target.

Oskar Lafontaine, German finance minister and chairman of the meeting, will try a delicate balancing act of keeping the issue of a global exchange rate policy alive while avoiding an open confrontation with Robert Rubin, the US Treasury secretary. Strong tensions had been building between the two sides in the run-up to this meeting.

The German finance ministry has recently been working on a toned-down version of a global exchange rate system that would allow for greater flexility. The scheme was thought up by Wolfgang Filc, professor of economics at Trier University and a leading policy adviser in the finance ministry. Mr Filc envisaged a formal consultation process involving G7 finance ministers and central bankers, which would be triggered by currency fluctuation of more than 10 per cent. This process is seen as more flexible, unlike formal target zone schemes, which require automatic invention after a currency hits the ceiling or the floor of its band.

The Europeans, however, are not speaking with one voice on this issue. Wim Duisenberg, president of the ECB, who will also attend the meeting, sides with the Americans in opposing formal exchange rate policies. He said such policies could threaten the integrity and independence of the ECB.

The key issue at stake for France and Germany is improved policy co-ordination – both externally within the G7, but also internally with the ECB – to encourage global macroeconomic stability and domestic economic growth in the euro-zone. Both tasks will prove difficult.

The ECB has so far shown no signs of reaching out to Mr Lafontaine either. Yesterday, the two sides came head-to-head during the ECB's governing council meeting, in which Mr Lafontaine took part in his capacity as chairman of the Ecofin council of European finance ministers. Mr Lafontaine has called on the ECB to cut European interest rates, while the ECB made clear in its February monthly bulletin that interest rates were sufficiently low to allow economic growth.

The various policy conflicts will not be resolved this weekend.

INTERNATIONAL

Kenya's finance minister resigns after demotion

By Mark Turner in Nairobi

Simeon Nyachae, the Kenyan finance minister, has resigned following a cabinet reshuffle in which he swapped jobs with Francis Masakhalia, the relatively unknown minister for industrial development.

Mr Nyachae's demotion and subsequent resignation has raised concerns over imminent negotiations with the International Monetary Fund, which were expected to result in the resumption of Kenya's $205m Enhanced Structural Adjustment Facility, frozen in 1997.

Claiming that he had "evidently trodden on some influential toes," in his efforts to rationalise the Kenya Revenue Authority, Mr Nyachae said that he would not have had the "morale and commitment" to serve in his new post. "I cannot in good conscience see my removal from the ministry of finance at this stage in any light other than as a consequence of my efforts to do the job that I was appointed to do," he said. "My experience and the circumstances of my removal from the Treasury leave me in no doubt that any efforts I would make at the new ministry would be destined to merely result in the continued creation of enemies."

Kipkalya Kones, the minister for public works, who had been pushing to enforce weight limits on Kenyan roads, was demoted to research and technology. Also moved were Noah Arap Too, the director of the Kenyan CID, and Francis Kwinga, the country's long-serving principal immigration officer. Mr Kwinga reportedly told Reuters this week that the Kenyan authorities had played a key part in the deportation of Abdullah Ocalan, the leader of the Kurdish separatist movement, but later denied making the statement.

In a statement dated February 16 President Daniel arap Moi said it was "necessary to effect changes on government in order to enhance the efficiency of delivery of services".

The decision to move Mr Nyachae stunned donors and the business community. The minister had been seen as a significant figure in Kenya's efforts to reform the economy and stamp out corruption. "This was not so much a reshuffle, as a targeted demotion for Mr Nyachae," said one donor.

Mr Masakhalia, the new finance minister, is viewed as an intelligent economist with close ties to the establishment, but without the political clout to push through unpopular reforms. "The capacity of the new finance minister is far from proven," said a senior diplomat.

Mr Nyachae had been due to visit Washington this month, and a technical team from the IMF was expected to assess the Kenyan economy at the begining of March.

Jose Fagenbaum, senior adviser to the IMF Africa department, said: "The trip is still on the agenda. We will be visiting Nairobi in early March and then we'll see. We would not expect the change of minister to lead to a change of policy."

Until the resignation of Mr Nyachae, donors said the key remaining obstacle to resuming the Enhanced Structural Adjustment Facility was the appointment of a new head to the Kenyan anti-corruption authority.

Currency boards backed

By Jane Martinson, Investment Correspondent, in London

Currency boards would encourage investment in developing markets after last year's stock market turmoil, Mark Mobius, head of one of the world's largest emerging markets funds, said in London yesterday.

Mr Mobius, who controls the Templeton Emerging Markets funds, said currency boards were the best way to control government excesses. "Money is too important to leave in the hands of government," he said. "People will begin to gravitate to currency boards, which will be the way of the future."

He said Russia, which sparked last year's crisis in the world's stock markets when it defaulted on a government debt programme, was a "great example of why currency boards are really needed" after it emerged that the government held some reserves offshore.

Mr Mobius, whose funds invest in 44 countries, remains optimistic about the fate of emerging markets. He sees particular value in Russia, Indonesia and South Africa largely because of potential political changes.

Mr Mobius, who admits his fund is among many not to have made money from investing in China, expects a controlled devaluation following talks on joining the World Trade Organisation.

The Israeli party with a religious goal and political clout

Judy Dempsey on the ultra-Orthodox Shas, power-broker with a clear agenda

When Aryeh Deri turned 40 last Tuesday, he kept quiet about it, at least publicly. There were no flowers in his large office in central Jerusalem, no birthday cards. No cake.

And when Mr Deri appears on television, he rarely indulges in aggressive back-stabbing, as most Israeli politicians do. He appears to be the voice of moderation and compromise.

Yet for all these self-effacing traits, Moroccan-born Mr Deri runs a party which is determined to shape the direction of the Jewish state.

The party is Shas, ultra-Orthodox in religion and Sephardic (Jews from North Africa and the Middle East) in ethnic composition.

What it wants is the preservation of the status quo whereby Orthodox Jews retain their monopoly over births, deaths, marriages and especially conversions to Judaism.

"One day, the religious parties will have the majority through the ballot box," said Mr Deri. Israel, he added, would be governed by the *Halacha*, the Jewish canon of law. It would not be like Iran, he added. Minorities would be respected. People would be free to do what they liked in the privacy of their own homes.

The chances are that Shas will be part of any new coalition, whoever wins Israel's elections in May. And it is expected to set a high price for its support, especially on religious issues.

Founded in the early 1980s, Shas is the fastest-growing party in Israel. It doubled to 10 the number of seats it won in the 1996 election and has been the power broker in Benjamin Netanyahu's government that it was in the late Yitzhak Rabin's Labour government.

The party's success, as Mr Deri admitted in a recent interview, is evidence of the fragmentation of Israeli society and the deepening divisions between secular and religious Jews.

This fragmentation has allowed Shas to tap into an increasingly large section of society that feels alienated from the state.

The reason for such alienation, said Mr Deri, is simple. When the state of Israel was established in 1948, the founding fathers – Ashkenazi (and socialist) Jews of east European origin – imposed their will and ideology on the fledgling state. The new Sephardi immigrants were lodged in temporary camps, or sent to isolated development towns where they were forced to conform. And, as Mr Deri argued, "they had an Israeli, not a Jewish culture imposed on them. Their religion and culture was suffocated by the Ashkenazim".

Mr Deri and other Shas officials blame the Ashkenazim, not only for stifling different cultures, but for preventing the Sephardi Jews from climbing up the social and political ladder. The Ashkenazim now concede this point.

But instead of using the media to articulate its sense of grievance, Shas has used the education system.

Over the years, the party has developed a network of religious schools – outside the state system – primarily aimed at less well-off Sephardim families.

If both parents are working, the Shas educational network provides kindergarten, primary and secondary school all day with meals, financed by the taxpayer at the expense of funding for state secular schools.

So far, Shas has tapped into 150,000 families, visiting them, writing to them five times a year and subsidising them. Meanwhile, an average of 5,000 people pass through Shas' Jerusalem offices each month to seek counselling or assistance from the small staff of 18.

But, as Mr Deri explains, Shas has also used its social welfare network to woo people back to religion. In doing so, however, it has pitted itself against the supreme court, in particular Aharon Barak, its president.

Shas officials cannot disguise their distain for Mr Barak, a staunch defender of civil society. In recent decisions, he ruled that Orthodox students in the *yehivot* or seminaries could no longer be exempt from military service; and that the traditionally-dominated Orthodox religious councils, which provide religious services to the community, have no legal right to prevent the Reform and Conservative movements of liberal Judaism sitting on them.

A law court recently ruled that the Orthodox Rabinat could not legally justify its monopoly on conversions – that is deciding who is a Jew. The Reform and Conservative movements, the court ruled, had a right to have their conversions carried out in Israel and recognised by the government.

With few politicians willing openly to defend the courts for fear of losing the support of the religious parties in May, Mr Deri's vision of the theocratic state might not be far away.

Aryeh Deri: An ultra-Orthodox Israel would not be like Iran AP

GREY IMPORTS REPORT SAYS GAINS WOULD BE SHORTLIVED AND AFFECT THE WEALTHY MOST

Benefits of lifting trade barriers queried

By Guy de Jonquières in London

Any economic benefits from removing legal barriers to international trade in low-cost "grey" imports would probably be short-lived and mainly affect consumers in wealthy countries, a study has found.

The study, to be published by the Intellectual Property Institute (IPI), an independent UK research organisation, says liberalising grey imports could increase competition and reduce prices of branded goods in the short-term by forcing manufacturers to narrow price differentials around the world.

However, these gains would be concentrated in rich countries, where prices are currently highest. Consumers in low-income countries would be likely to lose out, because international harmonisation could raise local prices.

The study also suggests that international differences in branded product prices are due more to government policies, such as taxation and public procurement, than to grey import restrictions.

The study, by Stefan Szymanski of London's Imperial College Management School, comes at a time of growing controversy about grey import laws in Europe, Australia, New Zealand, Hong and other parts of the world.

New Zealand last year abolished restrictions on grey imports, and Sweden is pressing the European Union to adopt similar reforms. A recent Swedish government study estimated the restrictions cost EU consumers as much as SKr150bn ($19bn) in excessive prices.

The European Commission has asked National Economic Research Associates, an economic consultancy, to prepare a report on the costs and benefits of grey import laws, before deciding whether to recommend that they should be liberalised.

The Commission took the matter up after the European Court of Justice ruled last year that grey imports from outside the EU were illegal. Several companies, including Honda, the Japanese motor manufacturer, are using the court's decision to try to stop unauthorised cheap imports of their products into the EU.

The study for the IPI, which takes no formal position on the issue, says the benefits of reform even to consumers in rich countries could be limited, because grey import traders would probably absorb much of the difference in prices between markets.

It also says relaxation of grey import laws could reduce the incentive to innovate, because it would make it hard for trademark owners to protect their investments against competition.

However, the study cautions that little is known for sure about how grey import markets operate, and that it is difficult to be sure even if the size of the trade flows involved.

UN talks on GM trade make little headway

By Adam Thomson in Cartagena

Developed nations, negotiating at the United Nations Conference on biodiversity, are pushing for a streamlined protocol which will not hamper the fast growing trade in genetically modified (GM) organisms.

But after five days of negotiations, the working groups at the conference have made little headway on the most controversial points and talks are now threatening to spill over into the weekend.

More than 170 countries are seeking to approve the protocol, which aims to establish rules for the handling and transportation of genetically modified organisms (GMOs), crops and other products created using biotechnology.

"The critical work is still to come," said Worku Damena, an Ethiopian delegate.

Ethiopia has become the principal voice of African nations seeking a far-reaching biosafety protocol which would take into account the potential threat which GMOs may pose to biodiversity and socio-economic well-being. Chief among the advocates of a streamlined protocol are the US, Canada, Australia and New Zealand. Meanwhile the European Union is seeking to mediate between the two positions, but some EU members favour the inclusion of a "precautionary principle" which would give importer countries the right to reject GMOs if they felt they would endanger biodiversity or health.

In a plenary session on Wednesday night, delegates provisionally adopted a number of minor articles but the main articles have still to be resolved. One issue is whether the protocol should be limited to the trade of GMOs or whether it should include their derivatives, such as drugs, vaccines, processed foods and cotton products.

Another is whether the protocol should oblige exporters of GMOs to provide paperwork for each shipment, an idea which producer countries consider unworkable.

A special ministerial session, known as the Conference of the Parties, is due to adopt the protocol on Monday and Tuesday of next week. But talks have so far been polarised, and there is concern that the various working groups may fail to reach an agreement in time.

Greenpeace, the environmental non-governmental organisation, has called for a five-year moratorium on the use of GMOs on the grounds that not enough is known about their effect on people.

GM food in the US, Page 11

Bombardier wins $1.3bn aircraft deal

By Edward Alden in Toronto

Bombardier, the Canadian aerospace and transportation group, yesterday announced a US$1.3bn sale of regional jet aircraft to Northwest Airlines, the US carrier.

The contract is Bombardier's largest single sale of regional jets and was made in head-to-head competition with its rival, Embraer of Brazil.

The deal will solidify Bombardier's position as the dominant supplier to the US regional market. In addition to Northwest, Bombardier has recently signed long-term orders with the regional affiliates of United and Delta Airlines.

Embraer has won smaller contracts with the regional carriers for Continental and Delta airlines.

The announcement also comes the day after the World Trade Organisation released to Canada and Brazil the interim findings of two panels convened to resolve a bitter dispute between the companies.

At the urging of Bombardier, Canada accused Brazil of granting illegal export finance subsidies to Embraer customers through the Proex programme, while Brazil has accused the Canadian government of assisting Bombardier with illegal development and export finance subsidies.

Neither government has disclosed the contents of the two confidential reports, though the WTO was expected to find fault with practices in both countries. Analysts speculated that Northwest may have waited to close the deal until after the WTO decision was released to the parties.

The contract calls for delivery of 54 CRJ 200LR series aircraft, a 50-seat jet, between 2000 and 2004. Northwest has also taken options to purchase another 70 aircraft.

The sale brings Bombardier's backlog to 380 firm orders with 378 options for its 50-seat and its 70-seat Canadair regional jets, which are currently under development.

The company has won 532 firm orders for the 50-seat jet, well past its target of 400 when the programme was launched.

Bombardier, the world's third largest civil aircraft maker, had a record year in 1998 for aircraft orders.

US goes to WTO on Seoul airport

By John Burton in Seoul

The US has complained to the World Trade Organisation over South Korea's refusal to allow foreign companies to bid for contracts involving the construction of a new international airport near Seoul.

Talks have stalled between the US and Korea over whether the airport should be subject to the WTO's Government Procurement Agreement, under which state agencies must open a certain proportion of contracts to international bidding.

The $4.5bn airport, due to be opened in 2002, is being built under the supervision of the state-run Korea Airport Construction Authority.

Seoul has rejected the US claim that the airport is a government project that falls within the jurisdiction of the GPA.

The US has called for consultations with Korea under the WTO's dispute settlement procedure and has the right to ask for a ruling by a WTO panel if no agreement is reached in the next 60 days.

US threats over Iran oil field dismissed

By Robert Corzine

Threats by the US government to punish an Anglo-Canadian consortium that wants to develop an Iranian offshore oil field have been dismissed by the two companies involved.

Premier Oil, the UK explorer, and its partner Bow Valley of Canada, were given the go-ahead earlier this week by the Tehran government to negotiate the final details of a contract to develop the Balal offshore field in the Gulf.

Yesterday, Charles Jamieson, managing director of Premier, said the statement by the US State Department that it would seek to apply the unilateral Iran-Libya Sanctions Act (Ilsa) against the two companies was "a diplomatic response" to approval of the project by the Supreme Economic Council in Tehran.

Ilsa allows the US government to punish foreign companies that invest more than $20m a year in Iran's petroleum industry, which has only recently been opened to international investment.

Mr Jamieson said the European Union and British government's position on Ilsa was "straightforward". Neither recognises the right of the US to apply unilateral sanctions on non-US companies.

The threat of US retaliatory actions under Ilsa have receded since Washington issued a waiver last year for the $2bn South Pars gas project being undertaken by Total of France, Petronas of Malaysia and Gazprom of Russia.

But big oil companies with extensive interests in the US are still wary of flouting it.

Sir John Browne, chief executive of BP Amoco, said on Wednesday that his company was in regular contact with the State Department about possible investments in Iran. But BP Amoco has so far not asked the US government whether it would object to such investments.

Iran has offered more than 40 upstream oil and gas projects to foreign companies as a way to revitalise its oil industry.

US in S Africa trade and investment pact

By Nancy Dunne in Washington

US Vice President Al Gore and South African Deputy President Thabo Mbeki yesterday launched a trade and investment agreement with South Africa, the first in a series of pacts expected to boost US relations with African countries.

Ms Charlene Barshefsky, US trade representative, said negotiations are were under way for trade and investment deals with Ghana and the Economic Community of West African States.

The framework establishes a council on trade and investment, composed of representatives of both governments, which will negotiate agreements and identify barriers to trade and investment flows.

However, another strand of the administration's sub-Sahara Africa policy appears to be heading for difficulty in Congress. The African Growth and Opportunity Act, first introduced three years ago to great applause from the African diplomatic community, quickly won approval from the House Ways and Means trade subcommittee and the House International Relations committee.

But a competing bill, with strong environment and labour provisions, introduced by Congressman Jesse Jackson Jr., has the support of the House minority whip, David Bonior; James Clyburn, chairman of the Congressional Black Caucus; and John Conyers, ranking member of the judiciary committee. Other key Democrats are expected to sign on.

The administration's African growth bill would open the US market to more African products, including textiles and clothing. This has stimulated strong opposition from the US textile and clothing industry, concerned about transshipments from Asia through Africa, particularly from China. This will cause even greater difficulty in the Senate.

The bill would extend trade benefits available under a special scheme for developing countries – the Generalised System of Preferences – to 2009. But to get it, countries must embark on economic reforms.

Rivals act as US keeps China arms curb

The China connection

Disclosures this month about Beijing's build-up of missiles that could threaten Taiwan and its systematic acquisition of US military secrets have focused attention on Beijing's military capacity. Here the FT's China correspondents report on the People's Liberation Army and its equipment

By James Harding in Shanghai

Defence manufacturers from around the world have rushed to do business with Beijing at a time when the US and a handful of other countries have maintained stringent restrictions on arms sales.

China has routinely been able to purchase a broad range of military technologies from countries where the bar on sales to the People's Liberation Army either does not apply or is not enforced.

The US began to sell military equipment to China in the 1980s.

Under the so-called Peace Pearl programme, Washington approved a $500m cost-plus contract to sell avionics equipment, including fighter control systems and navigational technology, to upgrade Chinese fighter jets.

There were other deals in progress as the Sino-US relationship flourished in the mid-1980s, according to a former US defence official, who recalls discussions on possible US assistance in the development of China's torpedo capability as well as delivery of two sets of anti-artillery units which were installed on China's southern border with Vietnam.

But after the killings in Beijing to crush the Tiananmen Square protests in June 1989, Washington suspended military co-operation and barred sales of defence equipment.

Since then, Russian, Israeli, European and even some Asian suppliers have eagerly sought to fill the vacuum.

Russia, which needed to find a market to sustain the military-industrial complex developed by the leaders of the former Soviet Union, has been the most active supplier of military hardware and know-how to China in the 1990s.

In the last few months, China has tested its first home-made version of the Russian Sukhoi jet fighter, a sign of the depth of co-operation that has developed between China and Russia's military industries since the 1992 contract to sell 24 SU-27s to Beijing.

China has also bought from Russia four Kilo-class submarines, which have potential cruise missile launch capacity, and is understood to be considering the purchase of more.

There are also two Sovremenny-class destroyers on order, due to be delivered in mid-2000. In addition, Russia is also transferring ship-to-ship and air-to-air missile technologies.

Israel has been the other prominent supplier.

China has acquired air-to-air missile technology from Israel and has been in discussions with Israeli suppliers on deals to provide cruise missile technology.

Last year, Yitzhak Mordechai, Israel's defence minister, visited China with a group of leading executives from the country's main weapons manufacturers to bolster the long-standing military trade.

Israel, which does not comment publicly on its arms sales to China, is understood to be working on technology transfers that would enable China to make significant upgrades in its defence capability.

For example, China is seeking to obtain an Israeli version of the Phalcon surveillance aircraft, which, using advanced radar and computer systems, would enable it to detect small targets such as cruise missiles and helicopters.

Military analysts also report that Israel is helping China build its F-10 fighter aircraft with avionics and radar from the cancelled Israeli Lavi programme, which incorporated American technology and was substantially funded by the US.

European defence contractors have also been eager to sell equipment to the Chinese military – the first sale of military-related technology to China came from Britain in the mid-1970s.

In the last few years, China has been in talks with Britain's GEC-Marconi about the delivery of airborne early warning and control systems (Awacs).

French contractors have assisted in the development of sonar systems to improve China's anti-submarine warfare capabilities, according to defence analysts and Italian manufacturers have sought contracts in the aerospace sector.

The move by Japanese police earlier this month to investigate Hitachi Electronics, the precision instruments maker, on suspicion of illegally exporting to China instruments that could be used to produce nuclear weapons, suggests another source of military technologies to China – from its Asian neighbours.

Malaysia Islamists seek to reassure minorities

By Sheila McNulty in Kuala Lumpur

If Malaysia's Islamic party, the PAS, wins control of the federal government, it will impose Islamic law on the majority Malay Moslem population but permit the Chinese and Indian minorities the option of being tried under current laws, says the party's president.

Fadzil Mohd Noor said in an interview that Moslems could, therefore, be sentenced to death for apostasy, for example, or receive 80 lashes for falsely accusing someone of a very serious offence, such as infidelity.

"For Moslems there is no excuse. Those are basic provisions," Mr Fadzil said. But he insisted it was difficult to convict. Islam requires four witnesses, whose characters must be impeccable as its law is meant to protect the individual and not punish so much as to deter.

Political analysts expect the PAS, which at present controls only one state in the Malaysian federation, to widen its support in the next general election to include several states in the Moslem-dominated north and east. The election must be called by April 2000.

Many believe the two-thirds majority held by the ruling United Malays National Organisation (UMNO) and its coalition partners in parliament is going to be at risk for the first time since 1969 and that the PAS will be the main beneficiary.

The PAS says thousands of UMNO members have joined its party since the prime minister, Mahathir Mohamad, sacked his deputy and heir apparent, Anwar Ibrahim, and orchestrated his removal from the party.

Mr Anwar is on trial on charges of sodomy and related abuse of power. He denies the charges as a plot to punish him for gaining enough popularity to challenge Dr Mahathir.

Many UMNO members say they will vote for the PAS as a protest even though they do not support its Islamic fundamentalism.

Nik Aziz Nik Mat, chief minister of PAS-ruled Kelantan state, said in an interview that the Islamic laws applying to all those already living under PAS rule in Kelantan, such as the ban on gambling and nightclubs, were appreciated by all religions as attempts to unify the family.

Mr Fadzil, the party president, indicated that the Moslem work week now in force in Kelantan, running from Sunday to Thursday, would not necessarily be imposed on the entire country because most of the world followed the Monday to Friday week now used in the rest of Malaysia.

Ruling on Packer highlights ownership rules

By Gwen Robinson in Sydney

Australian media ownership rules came under the spotlight yesterday following a ruling by the Australian Broadcasting Authority (ABA), the government's media regulator, that an influential television and magazine proprietor must reduce his stake in a newspaper publishing company.

The regulator said Kerry Packer, who controls Publishing and Broadcasting Ltd (PBL), Australia's second largest media group, must reduce his stake in John Fairfax Holdings, the newspaper publisher, to 15 per cent within six months.

The ruling highlighted the rigidity of Australian media regulations and the complex ownership structure of some of the country's largest media organisations.

It was also the latest obstacle for Mr Packer, one of the country's wealthiest media proprietors, in his well known ambition to control the Fairfax group.

The ABA oversees laws which prohibit the same party from controlling newspaper and broadcast media in the same metropolitan area.

It defines "control" as a cross-media holding of 15 per cent or more.

Mr Packer, among numerous business interests, controls PBL, a television and magazine publishing group, through his family-owned company Consolidated Press Holdings. CPH owns 45 per cent of PBL, which in turn owns the Nine TV network and a stake in Fairfax through its FXF Trust.

PBL's Fairfax stake stood at 14.9 per cent when the trust was floated in late 1997. Last December, however, Brierley Investments, the single largest Fairfax shareholder, said it would sell its 24 per cent stake. Fairfax, in turn, said it would buy back 9.9 per cent.

The buy-back would raise Mr Packer's stake through the FXP holding to 16.15 per cent of Fairfax shares, placing him in breach of the cross-media laws, the ABA said.

However, the Packer family was also granted approval for a "temporary breach" of the rules and given six months to reduce its Fairfax stake to 15 per cent.

David Flint, ABA's chairman, said the approval was granted because the breach was the "result of the action of others".

He denied the decision had anything to do with another ABA inquiry into the relationship between the Packer family and the Fairfax group.

Fairfax results, Page 21

Decades before Beijing can challenge Washington in Asia

Military issues are not the only curbs on China's strategic reach. Economic enrichment is a more powerful urge. James Kynge and James Harding write

The Gulf War in 1991 came as a rude shock to China's military strategists. Television footage of the west's surgical strikes and smart missiles turning Iraqi street corners served to emphasise the backwardness of China's own defences. The realisation helped shape a modified military doctrine.

Modernisation of the 3m-strong People's Liberation Army (PLA), it was decided, required the accelerated acquisition of modern hardware and personnel training for "local wars under high-technology conditions".

This strategy's implied requirement of projecting power beyond China's borders marked a fundamental shift toward a military geared increasingly towards offensive rather than defensive scenarios.

It is not surprising, then, that the recent acquisition of advanced foreign weapons, and the development of a significant domestic technological ability, have raised a pressing question: How much of a threat has China become?

The answer seems to be that although the PLA has come a long way since the early 1990s, weaknesses in its military system compromise its ability to project power far from its shores for any sustained period. It will probably be decades before it can challenge the US as Asia's dominant military power, military observers said.

Indeed, China's medium-term strategic ambition appears more nuanced than a straightforward drive for regional dominance.

Its acquisition of Kilo-class submarines, Sovremenny class destroyers and more than 50 Sukhoi attack jets is primarily aimed at reinforcing its claim to Taiwan, and secondly, to the Spratly Islands in the South China Sea, analysts said.

China threatens to attack Taiwan if the island, which split from the mainland in 1949, formally declares independence. Chinese leaders have said since the mid-1980s in published comments that a naval blockade of Taiwan would be the minimum response to a declaration of independence.

Submarines are seen by the PLA Navy as the most likely front-line force if China were ever to attempt a blockade.

But, analysts said, apart from the four Kilo-class submarines that China has recently acquired, the rest of its fleet of around 70 submarines is believed to be outdated, or even obsolete.

Naval power projection in the region would be further compromised by its untested ability to conduct amphibious landings.

China has some 60 amphibious-warfare ships capable of landing between one to three infantry divisions. But inadequate air defence, poor command and control systems, and lack of training might prove critical shortcomings.

Any determined foray towards Taiwan or the South China Sea would require close co-ordination between the army, navy and air force.

But military analysts said that China probably lacks the information technology capability for such co-ordination and, in addition, any joint operation could be further hampered by the fact that the Central Military Commission is composed entirely of army generals.

Military issues are not the only factors inhibiting China's strategic reach. The government recognises that its legitimacy springs mainly from the economic enrichment of its people, rather than from military prowess.

Beijing's policy on the South China Sea shows this principle at work; it suggests that settlement of territorial claims in the area can be left to future generations while the sea's gas and oil resources may be exploited by claimant countries.

"Deng Xiaoping [the late paramount leader] said we should not fight a war for 50 years. We have to concentrate on economic construction," said one senior Chinese military officer. For this reason, a slowdown in economic growth, such as the one currently in progress, can set back military re-armament.

It has also hit the vast military-industrial complex, which researches, develops and manufactures weapons as well as civilian products.

For example, the Shenyang Aircraft Corporation, manufacturer of China's top indigenous fighter jet, the J-8, is now making a loss and has been forced to accept payment in barter for the 200 civilian products that it sells, a company executive said.

This does not affect the company's ability to make fighters, which is funded by the central government, but it may affect some of the factory's more peripheral research activities and add to the state's fiscal burden, leaving less money available for military spending.

The official military budget last year rose nearly 13 per cent to $10.9bn, more than the official 7.8 per cent climb in gross domestic product.

But perhaps the greatest long-term challenge for the PLA is the upgrading of its rank and file. A drive to reduce its ranks by 500,000 to 2.5m has run into delays, largely because of the difficulty in finding employment for demobilised soldiers because of current economic difficulties.

The delay has hampered attempts to modernise training regimes. Most Chinese officers spend their careers in one place performing a narrow set of low-tech tasks, meaning that they tend to lack the versatility of officers in western armed forces.

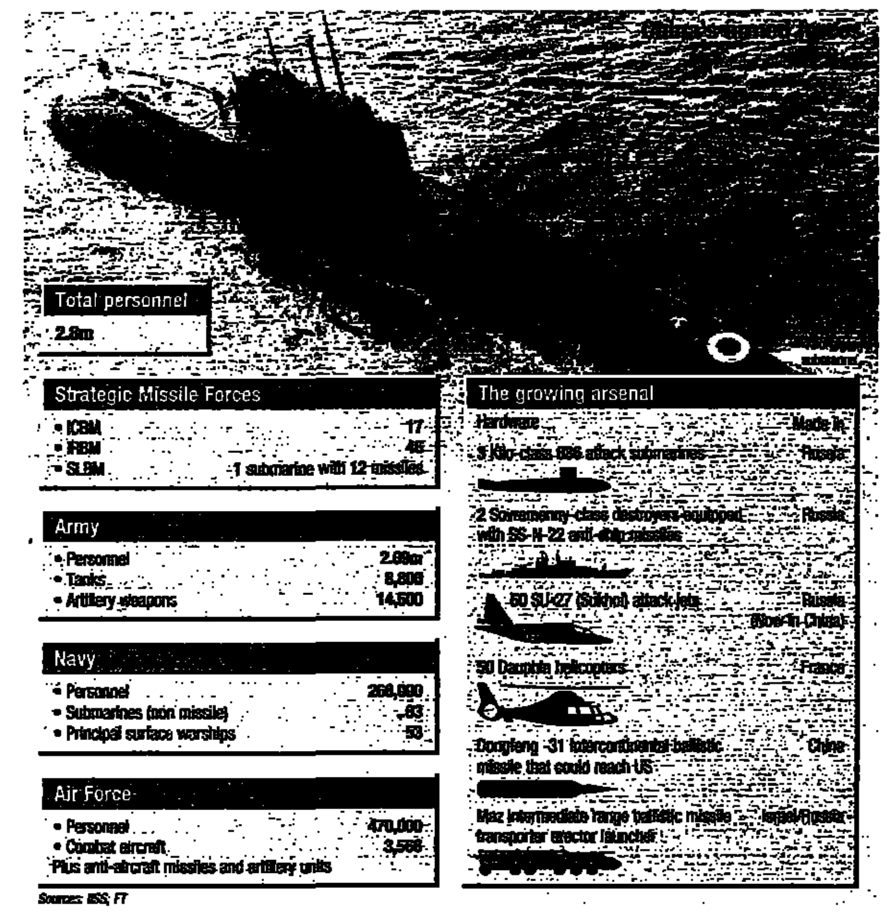
Recruits are rarely the smartest that China can offer, partly because PLA salaries, though now rising, are still low.

But the problems in modernising the PLA seem mainly temporary. China's economic rise cannot but lead to technological advances.

It has already expressed interest in an aircraft carrier, the purchase of which would be regarded as the start of a doctrinal shift toward greater involvement in regional rather than local security issues.

In any case, the most likely Chinese flashpoint – Taiwan – already has the potential to blow up into an international confrontation involving the US, which has pledged to provide weapons for the island's defence.

Perhaps it is partly to deter Washington that Beijing is building up to about 20 Dongfeng 31 intercontinental ballistic missiles capable of delivering nuclear warheads on to US soil sometime in the next decade.



Sources: IISS; FT

India, Pakistan at start of a long quest

By Peter Montagnon in Islamabad and Mark Nicholson in New Delhi

It is a momentous occasion when an Indian prime minister goes anywhere by bus, even more so when the destination is Pakistan.

So the arrival of Atal Behari Vajpayee in Lahore tomorrow for the first visit by an Indian premier for a decade is bound to spark talk of a new era in relations dogged for more than 50 years by the bitter dispute over Kashmir.

The international community, alarmed by the nuclear tests conducted by both countries last May, must certainly hope that a real thaw is on the way.

The realisation that both sides now have nuclear weapons has made the Himalayan territory one of the most dangerous flashpoints in the world, says one western diplomat.

Pressure on both countries to reduce bilateral tensions is thus every bit as important as efforts to persuade them to rein in their nuclear programmes.

At one level, Mr Vajpayee's trip aboard the new bus service is a high-profile response to such pressure. But just as he will quickly forsake the bus for a helicopter on the last leg of his journey, so there is likely to be a degree of showmanship in the summit itself.

Analysts in both countries agree that bilateral relations have entered a new, warmer phase, but at best India and Pakistan are only at the start of a long quest for a more normal relationship.

"There is a willingness to focus on issues which stand in the way of improved relations," says Sartaj Aziz, Pakistan's foreign minister. "We can't just go on the way we have for the last 50 years." But he quickly goes on to point out that, as far as Pakistan is concerned, normalisation of relations, which would mean unrestricted travel, cultural exchanges and trade, cannot happen until the situation in Kashmir is resolved.

It would be a mistake to look for concrete results from the Lahore meeting on military matters or even trade, he says.

Indian officials insist that Mr Vajpayee will be seeking "real substance" from his meeting with Nawaz Sharif, his Pakistani counterpart.

They are coy about details, but suggestions have included some nuclear confidence-building measures, possibly including agreement to negotiate a "no-war pact" between the two countries. The two leaders may seek to raise the political status of regular bilateral talks by involving foreign ministers instead of just senior officials.

Mr Sharif will almost certainly be invited to pay a return visit to New Delhi, though he is likely to prefer the comfort of air travel.

A soldier of India's Border Security Force stands guard as a man paints the gate where Prime Minister Vajpayee will make an historic bus crossing tomorrow for talks with his Pakistani counterpart AP

Indian commentators see even the symbolism of the meeting as masking a fresh turn in relations. At the very least, says Shekhar Gupta, editor of the Indian Express, whose interview with Mr Sharif sparked the idea of bus diplomacy, there will be a joint statement committing each country to peace and nuclear responsibility.

"In concrete terms, it may not seem too much, but it would be the first time the countries' two prime ministers have issued such a joint statement since Simla," he said, referring to the 1972 accord between Zulfikar Bhutto and Indira Gandhi.

Indian commentators also note that there may be a number of reasons why Mr Vajpayee is tempted to do business with Pakistan. One is the perception within India that Mr Sharif is now well established in office and likely to remain the only interlocutor with whom he can engage.

Another is that with his government mired in economic slowdown and factional dispute at home, a gesture towards Pakistan may be his only means of finding a footnote in history. Also, the mood in the Indian public appears to have changed in the wake of the nuclear tests.

A spirit of reconciliation is symbolised by the current Pakistani cricket tour of India and last weekend's visit to Pakistan by Indian parliamentarians from all sides of the political spectrum.

The political considerations for Mr Sharif are somewhat different. Though he has a large parliamentary majority, he does face opposition from some provincial politicians and from what has become known in Pakistan as the "religious right".

A grand gesture towards India would involve unnecessary risk. Even a joint agreement on quick signature of the Comprehensive Test Ban Treaty would lessen the incentive for Pakistan's donors to provide continued financial help.

Besides, Pakistan has a fundamentally different view of how the relationship should evolve. India is keen on treading around the issue of Kashmir, by first building a more comfortable relationship, for example through promoting easier travel and trade. But Pakistan fears a normal relationship with India would reduce its leverage on the Kashmir question.

Virtually no chance exists that the talks will go into substantial detail on the two countries' nuclear relationship, or even that the leaders might finalise a deal on the exchange of electric power.

Instead, progress over the next few months looks set to be painfully slow, especially if the talks fall back under the control of officials who have no real interest in changing the *status quo*.

But two hopes remain. One is that a breakthrough in bilateral relations might increase the prospect of a visit to the region by President Bill Clinton, which would be a political coup for both leaders.

The other is that popular support in India for better relations with Pakistan may grow on both sides of the border. "The warm reception of the Chennai [Madras] crowd to the Pakistan test match was a defining moment," says Mr Gupta. "When was the last time you saw such a groundswell for making peace with Pakistan?"

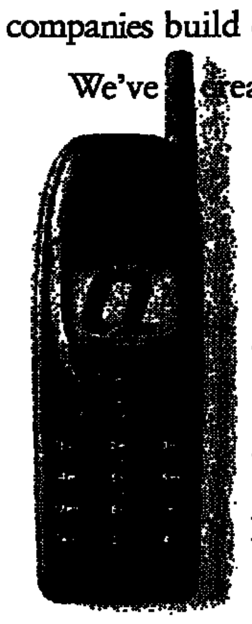
Additional reporting by Farhan Bokhari in Islamabad

Editorial comment, Page 15

Ruling on Packer highlights ownership rules

If you only know Compaq for PCs and servers, do you really know Compaq?

All over the world, the IT bedrock that companies build on comes from Compaq.



The world's 10 largest telcos use Compaq enterprise solutions. And the next 10. And the 10 after that.

We've created enterprise systems for over 100 stock exchanges worldwide. Sixty percent of the planet's power generation/distribution systems. Ninety percent of the world's microprocessor production.

And this isn't just hardware. Compaq delivers complete enterprise solutions. The mission-critical systems that keep business in business.

It's the ultimate in mission-critical, 24x7x365 computing. The kind we provide, not just for the financial world, but for all kinds of industries. Like yours.

Who helps millions of e-mail users explain, expound, collaborate, argu and otherwise communicate?

Compaq systems and support people help run many of the world's largest e-mail systems, letting them cope gracefully with tremendous growth. But then, we're used to big jobs. For example, we're the number one integrator of Microsoft Exchange, with over 400 global customers. So if you've got a large project ahead, remember: We can be a big help.

Where do the world's rocket scienti turn for guidance?

Talk about mission-critical. Did you know all 10 of the top 10 aerospace compani rely on Compaq for systems, solutions and services? And no wonder: Compaq 64-bit UNIX solutions are the definitive answer to toughest problems in technical computing.

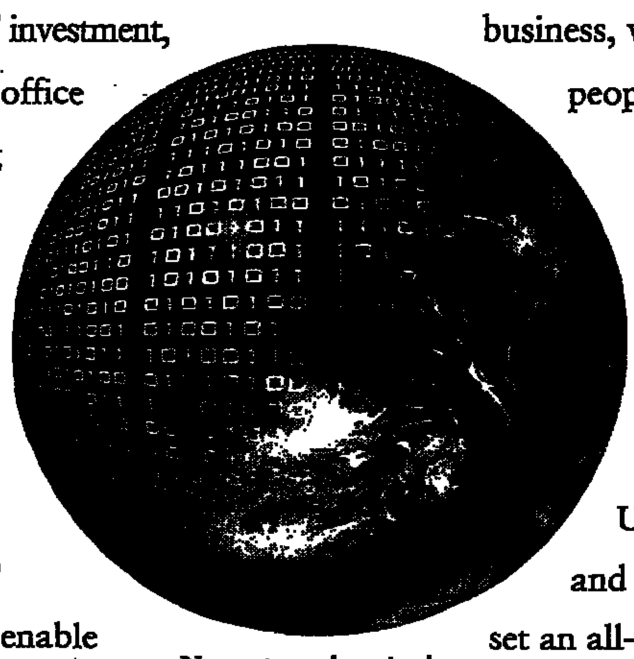
Who knows SAP R/3 like no one else (except, of course, SAP)?

With a total of over 5,000 R/3 installations under our belts (more than any other competitor), Compaq is the undisputed leader in running this powerful enterprise solution. If you're looking for someone to help you put R/3's enormous power to work in your business, why not go with some of the people who know it best?

Compaq? Wh

Who out-integrates the top integrators? Including IBM?

This may surprise you. It's Compaq. In fact, Compaq beat out the biggest names in IT integration in *InformationWeek*'s annual poll of IT professionals, finishing second by the slimmest of margins. If you need someone to help you get the most out of your IT investment, whether you operate a single office or a global network spanning several continents, we don't just have the answer. We are the answer.



No matter where in the world you do business, our 27,000 service professionals are available in 114 countries.

Who outruns everyone under the sun (including Sun)?

Compaq's lead in high-performance 64-bit UNIX® computing is huge, and growing. For example, we set an all-time TPC-C* record running Oracle8™ on clustered AlphaServer® systems. What does this mean in real life, you ask? It means that we can help you do things in a few seconds that used to take you days.

Whose systems run 17 of the 20 largest stock exchanges, worldwide?

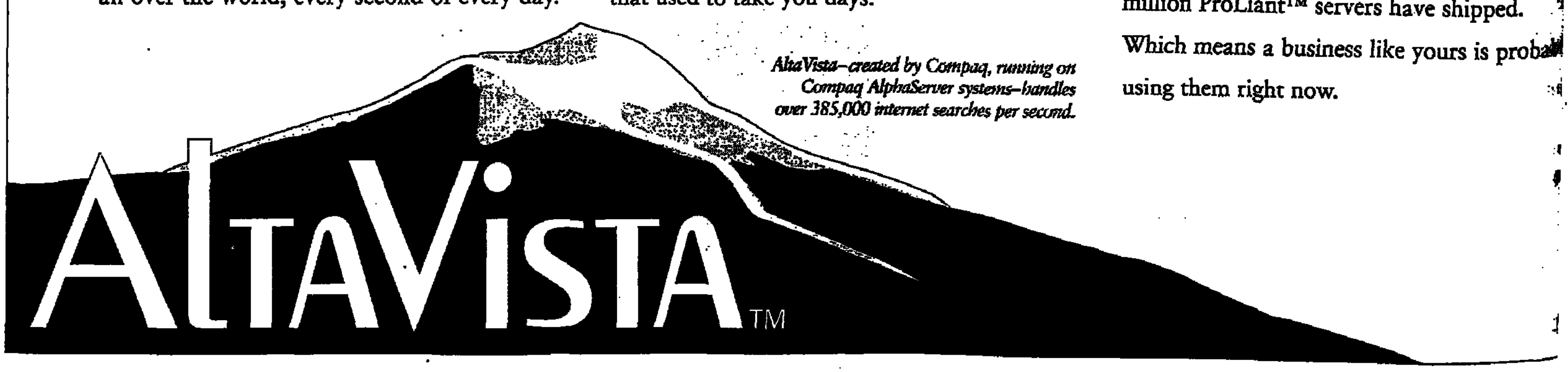
It's the same folks who enable over 60% of the world's interbank transactions. Compaq. With systems and support services that allow hundreds of millions of dollars to flow safely all over the world, every second of every day.

When you hit the cash machine, wh hands you the money?

Making sure that you can get a quick infusion of cash, no matter where you might is another one of the surprising things that Compaq does. Compaq equipment and expert are behind over three quarters of all the cash machines in the world. It's just one more example of how Compaq makes complicated technology easier to manage. And easier to

Who ships more industry-standard servers than the next two competito combined?

Compaq builds the broadest range of industry-standard servers on the planet. From cost-effective entry-level machines to 7x24 high-availability models, over two million ProLiant™ servers have shipped. Which means a business like yours is prob using them right now.



AltaVista–created by Compaq, running on Compaq AlphaServer systems–handles over 385,000 internet searches per second.

هكذا من الاصل

ENVIRONMENTAL PROTECTION AGENCY REGULATORY BODY ACCUSED OF BREACHING SEVERAL FEDERAL ACTS

EPA sued over genetic crop approval

By Nikki Tait in Chicago

Farmers of organic produce and environmental activists yesterday filed a lawsuit against the Environmental Protection Agency, the main US federal regulatory agency on environmental matters, alleging that its approval of various "BT crops" had been unlawful.

BT crops have been genetically engineered to contain the *bacillus thuringiensis* organism. This is a naturally occurring, soil-based strain which then produces toxins that kill off certain insects.

BT corn, in particular, has been popular among farmers in the US because of its ability to guard against the damaging corn borer insect without requiring heavy use of pesticides. In yesterday's suit the plaintiffs cited estimates that up to 25 per cent of the 1999 field corn crop would involve BT corn – with predictions that BT corn is grown on about 15m acres in the US.

The lawsuit focuses on the *environmental implications* of BT crops, claiming these encourage pest resistance to build up and make it harder *to treat problems through* traditional means.

It also asserts that contamination of non-genetically engineered crops can occur when pollen is transferred by wind or insects, and that there can be a knock-on effect on non-target insects and organisms.

"Some BT toxins as produced by genetically engineered plants have the potential to be activated more readily, and affect organisms not susceptible to the original BT toxin, including beneficial pest predators and pollenators such as lacewings and bees," the lawsuit says.

The environmentalists have already petitioned the EPA to withdraw registrations for BT crops and said yesterday that the lawsuit followed up on that application. It formally accuses the agency of breaching several federal acts, including the Insecticide, Fungicide and Rodenticide Act and the National Environmental Policy Act, because of these environmental effects.

The lawsuit does not raise questions about the inherent safety of the crops themselves.

Listed in the suit are numerous organic farmers, who maintain that their businesses have been hit by genetically engineered plants, either through contamination or because of the reduced efficacy of traditional foliar sprays and/or the insect population.

Other plaintiffs include Greenpeace, the Center for Food Safety, the National Family Farm Coalition and the German-based International Federal for Organic Agriculture Movements.

To date the EPA has granted approvals for eight BT crops in the US.

The suit coincides with fresh, frenzied debate over genetically engineered crops in Europe, where consumer concerns are much greater than in the US.

But it also comes in the wake of moves earlier this year by the big producers of BT corn and US farmers to develop consistent "set aside" arrangements. Under this agreement, four of the leading corn seed suppliers agreed to ask growers to set aside 20 per cent of their corn-related acreage as a refuge on which they would plant non-BT hybrids.

Philip Stephens, Page 14; Americans show no fear, Page 11

Argentina shrugs off Brazil effect

By Adrian Michaels and Andrew Balls in London

The recession in Brazil will at most knock 1 percentage point off Argentina's growth this year, Roque Fernández, Argentina's economy minister, said yesterday.

Although it was too soon to gauge how the trade relationship between Argentina and its neighbour would fare, Mr Fernández said in an interview that exports accounted for just 9 per cent of gross domestic product, and only a third of that went to Brazil.

The minister, in London yesterday for meetings with the Bank of England and UK Treasury, said he was sticking *with the official* growth forecast of 3 per cent for this year, although that would be reviewed in April when economic figures for the first quarter were collated.

The forecast, made in December, is itself lower than the 7-8 per cent that the country managed in the first half of last year.

Argentina had already accounted for a slowdown in the region precipitated by Brazil's economic problems, the minister said.

Financing needs for the year were well advanced, he said, pointing out that this week's $1bn bond issue took the country as far as the third quarter in terms of the money it would need to service its debt payments.

The transaction, originally intended to raise $750m, was increased due to strong investor demand.

"We are not using our contingent funds from the multilateral organisations. We believe we are going to be *using the market for the full* year."

Mr Fernández thought that the worst was over in *terms of access to* international financial markets, saying that investors worried by regional contagion were not noticeably marking down Argentina.

"Fortunately there is differentiation going on. It took two to three months to recover after the Asian and Russian crises but just three weeks after Brazil devalued we issued Argentine bonds," he said. "We have survived, in a way, without any problem."

However, if a crisis did hit, the International Monetary Fund had already indicated it was "open to discussions" over an extension of Argentina's credit facility.

Dollarisation – under which Argentina would scrap the peso and start using the US dollar as its currency – was very popular in Argentina, Mr Fernández said, adding he was "very serious" about the concept.

Talks with the US over a monetary treaty had not advanced beyond the informal stage, but further discussions would be taking place in the near future. Negotiations could take two to three years to complete.

However, the Argentine government was prepared to dollarise very quickly if there was a speculative attack on the peso. "We cannot be defeated by the market. We will dollarise, and that will be the end of the speculation."

Argentina's currency board fixes the currency at par with the dollar, but withdrawing the peso would eliminate remaining uncertainty.

In the long term, said Mr Fernández, "dollarising the whole region would probably be a good idea".

Roque Fernández: 'We have survived without any problem'

Inflation fears played down as prices jump

By Stephen Fidler in Washington

US wholesale prices showed their largest monthly jump last month since 1996, according to figures released by the Labour Department yesterday, but economists said the data did not suggest a resurgence of inflationary pressures.

The producer price index rose 0.5 per cent after adjustment for seasonal fluctuations, the largest increase since a similar rise in October 1996, and followed a 0.4 per cent increase in December. But excluding food and energy – to obtain what economists call the core rate – the index fell 0.1 per cent.

Gordon Richards, economist at the National Association of Manufacturers, said the monthly increase did not herald a rise in inflation. "Inflation remains a paper tiger," he said. David Greenlaw at Morgan Stanley Dean Witter said a brief run-up in crude oil prices in early January, when the Labour Department survey was carried out, pushed up heating oil and petrol prices, explaining the 1.8 per cent energy price rise in the month. But prices have since fallen and the increase should be reversed in February. This pattern was also reflected in other commodities.

The increase was enough to move yearly wholesale inflation on finished goods back into positive territory at 0.9 per cent, and the core rate annually was 2.3 per cent. But if tobacco – the price of which has risen 41 per cent over the year because of lawsuit settlement – were also excluded, wholesale inflation rose just 0.5 per cent over the year.

● The US government is set to overhaul its main price gauge today, with changes that will eventually have an impact on the annual rate of inflation, Reuters reports from Washington. The Labour Department is switching to a "geometric mean" formula for calculating the Consumer Price Index (CPI), a measure it says will more efficiently take buying habits into account.

Personal View, Page 14

NEWS DIGEST

PRESIDENT PROMISES FULL PROBE

Assassination in Ecuador raises fears over violence

Jamil Mahuad, Ecuador's president, has declared three days of national mourning and promised a full investigation after a prominent leftwing congressman, Jaime Hurtado, was *gunned down* close to Congress on Wednesday afternoon. The incident has fuelled concerns about a spiral of politically motivated and violent crime.

Condemning "irrational violence which aims to submerge Ecuador in a *bloodbath*", *Mr Mahuad pledged* in a national television address to "exhaust all efforts to find the assassins". A team of experts from neighbouring Colombia arrived in Quito yesterday to assist the investigation.

Politicians across the spectrum *called on the govern*ment to get to the bottom of the killing. Although Ecuador was long considered a haven of tranquility between Peru and Colombia, there has been an upsurge in violent crime and armed protest. Many analysts associate the crime wave with growing poverty. **Justine Newsome, Quito**

FIRE AT POWER PLANT

Energy crisis hits Honduras

Honduras, already struggling to recover from devastation resulting from Hurricane Mitch last year, is now facing a severe energy crisis after a fire at the country's largest power plant. There are fears that the damage to the El Cajón facility – which provides half the country's electricity supply – will severely disrupt the economy.

Power cuts have been introduced around the country, bringing businesses and offices to a halt for several hours a day. Energy is being imported from neighbouring countries, raising costs for the state-owned electricity company, but there is not enough to make up the shortfall.

A report on damage to the plant is expected to take several more days. **James Wilson, Tegucigalpa**

MURDER OF BISHOP

Guatemalan suspect freed

The only suspect in the murder of Guatemalan bishop Juan Gerardi has been freed from prison, leaving the controversial case further from resolution. Mario Orantes, a priest who lived with Monsignor Gerardi, had been charged with involvement in his murder last year.

The bishop was killed in April, two days after presenting a *report* denouncing human rights violations during the country's civil war. Human rights groups have repeatedly accused investigators of covering up details that could point to involvement by the armed forces in the killing.

The decision by a judge to *free* the suspect leaves prosecuting authorities with few leads in the case, although the case against Mr Orantes could be re-opened if new evidence surfaced. **James Wilson**

On the web today

● Venezuelan business watches Chávez ● Canadian Reform party seeks to galvanise right ● US bank reform law hits snag ● AFL-CIO to step up activist role

http://www.ft.com/americas

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SECTION 7(7) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He intends to revoke, later in the year, the Class Licence for the Provision of Mobile Radio Telecommunication Services to Third Parties by Public Service Organisations (issued 28 July 1994), the Class Licence *for the Running of Private Mobile Radio Systems, Radiopaging Systems* and Automatic Location Systems for the Provision of Services to Third Parties (issued 28 July 1994), the Class Licence for the Running of Short Range Radio Alarm Systems (issued 20 April 1989) and the Class Licence for the Running of Telecommunication Systems for the Provision of Radio Alarm Services (issued 6 December 1991) which were granted by the Secretary of State under Section 7 of the Telecommunications Act and to issue new licences. The licences will be for a period of 25 years subject to earlier revocation in circumstances *specified in the licences.*

2. Various amendments have been made to the licences to bring the conditions and definitions into line with the requirements of the EC Licensing Directive (97/13/EC), and for other reasons. The draft licences have been examined to ensure the conditions are consistent with those set out in the Annex to the EC Licensing Directive and that each condition satisfies the EC Licensing Directive's requirements to be transparent, non-discriminatory, proportionate and objective. New conditions have been included in the licences on Fair Trading and Access Control services. Various other minor or consequential amendments have been made to the licences to update and standardise the conditions and definitions.

3. Representations or objections may be made in respect of the proposed new licences. They should be made in writing by 19 March 1999 and addressed to the undersigned at the Department of Trade and Industry, Communications & Information Industries Directorate, Room 2.79, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licences can be obtained free of charge by *writing to the Department or* by calling 0171 215 1746.

Simon Moseley — 19 February 1999

Department of Trade and Industry

LEGAL NOTICES

IN THE MATTER OF LAU WAN FU JOHN, a Solicitor

and

IN THE MATTER OF the Legal Practitioners Ordinance, Cap. 159

TO: *MR. LAU WAN FU JOHN*

Proceedings have been instituted against you under Rule 3 of the Solicitors Disciplinary Tribunal Proceedings Rules by The Law Society of Hong Kong of 3rd Floor, Wing On House, No.71, Des Voeux Road Central, Hong Kong.

The 22nd day of March, 1999 is the day fixed by the Solicitors Disciplinary Tribunal for the hearing of the proceedings. The Tribunal will sit at 3rd Floor, Wing on House, No. 71, Des Voeux Road Central, Hong Kong, at 10:00 o'clock in the morning. Your attendance will be required at the date, time and place aforesaid. If you fail to appear, the Solicitors Disciplinary Tribunal may, in accordance with Rule 11 of the said Rules, proceed in your absence.

You are required by the Rules to furnish to every other party and to the Clerk to the Solicitors Disciplinary Tribunal at the Registered Office of The Law Society of Hong Kong at least FOURTEEN (14) DAYS before the date of hearing, a list of all the documents on which you propose to rely.

Any party may inspect the documents included in the list furnished by any other, and a copy of any document mentioned in the list of any party must, on application by the party requiring it, be furnished to that party by the other within SEVEN (7) DAYS after receipt of such application.

In order to reduce the costs of the hearing you are invited to inform the Clerk to the Solicitors Disciplinary Tribunal not less than SEVEN (7) DAYS before the date of hearing of any facts set out in the affidavit which are not in dispute.

You are requested to acknowledge the receipt of this notice without delay.

Dated this 20th day of January, 1999.

ISMAIL S.W. MA

Clerk to the Solicitors Disciplinary Tribunal

(N.B. A print of the Solicitors Disciplinary Tribunal Proceedings Rules and copy of the Applicant's application and affidavits in support can be obtained from Mr. ISMAIL S.W. MA, the Clerk to the Solicitors Disciplinary Tribunal, care of Messrs. C.C. Lee & Co., of Room 805, 8th floor, Hang Seng Building, No. 77, Des Voeux Road Central, Hong Kong)

PARAMILITARY WEAPONS PRESIDENT IS OPTIMISTIC OF EARLY RESOLUTION, SAYS AIDE

Clinton ready to intervene in Ireland peace deadlock

By David Wighton, Political Correspondent

President Bill Clinton is optimistic about an early end to the deadlock over the handover of paramilitary weapons and the formation of a Northern Ireland executive, a senior aide said yesterday.

James Lyons, the US president's special adviser for economic initiatives in Ireland, said in Belfast that Mr Clinton stood ready to intervene if the parties thought it would be helpful. "I would be very hopeful, and the president is very hopeful, that this process can move forward and allow this locally-elected government to take root and begin to operate as quickly as possible," Mr Lyons said.

Northern Ireland political leaders are to see the president at the White House for St Patrick's Day celebrations on March 17, a week after the target date for the transfer of powers from the UK parliament to the Northern Ireland assembly.

Mr Lyons said that if the handover had not taken place by the time of the visit he was sure "the president will be prepared to do whatever he can to assist".

Mr Lyons was accompanying the US ambassadors to the UK and Republic of Ireland on a two-day trip to Northern Ireland to meet political and business leaders. Philip Lader, ambassador to London, said the US administration would be "supportive in every way it can" in the economic development of Northern Ireland.

Michael Sullivan, recently-appointed ambassador to Dublin, was making his first official visit across the border.

Separately, Tom Hayden, a US senator, warned the government that merely increasing the Roman Catholic representation in the Royal Ulster Constabulary, the Northern Ireland police force, would not transform policing in the region.

Mr Hayden delivered a report drawn up by lawyers and civil rights activists warning of the dangers of copying tactics used to try to increase the proportion of women and ethic minorities in US police forces.

He told a Belfast press conference that for Los Angeles the moves merely "internalised the problems of the outside world" inside the city's police force. "There is still antagonism between the police and the black community, even though there is a black police chief," he said.

Mr Hayden said the lesson of Los Angeles was that reforming an existing policing system was "very, very difficult". Reforming the RUC would require "beginning anew", although he stressed that that did not mean "eliminating every single member of the RUC". The report has also been presented to Chris Patten, who heads a commission on policing in Northern Ireland.

In Edinburgh, pro-British unionist leaders met Scottish politicians for talks on the British-Irish council. The "Council of the Isles", proposed under the 1998 peace agreement, will link the parliaments and assemblies of Scotland, Northern Ireland, Wales, London and the Irish Republic.

N Ireland first minister David Trimble meeting (from right) Philip Lader, Michael Sullivan and James Lyons in Belfast yesterday PA

Americans show no fear as Europe mans GM barricades

Differences in culture and marketing make US consumers more supportive of modified food. **Nikki Tait** reports from Chicago

There is little evidence US consumers share the concerns of Europeans about genetically modified crops and food.

"Regardless of how we measure consumer perceptions, surveys document that between two-thirds and three-quarters of American respondents are positive about plant biotechnology," says Professor Thomas Hoban a sociologist at North Carolina State University.

His view is supported by a study this month for the International Food Information Council, an industry-funded organisation in Washington DC. About 62 per cent of the 1,000 consumers questioned across the US said they would be more likely to buy potatoes or tomatoes if they had been "modified" to taste better or fresher; 77 per cent answered the same when asked about genetic alterations involving inbuilt protection against insect damage and less use of pesticides.

"When you indicate the benefits, Americans do seem to be going for it," says David Schmidt, IFIC's senior vice-president for food safety.

Explanations for this response – which contrasts sharply with attitudes in *many European countries* – are various. Professor Hoban believes years of preparation, coupled with subsequent media attitudes, play a big part. "It comes down to the groundwork which was laid here," he says, adding that almost a decade ago regulators and many academics broadly endorsed plant biotechnology and began an education process.

He also cites a big difference in consumer attitudes towards government. He points to deep scepticism in much of Europe over regulatory safeguards, partly because of problems like "mad cow disease", or BSE, in the UK and tainted blood in continental Europe. "US citizens are willing to give the benefit of the doubt to the government," Prof Hoban says.

Cultural differences also play a part. "Food is a much bigger part of the culture in *Europe. As Americans, we* don't have a lot of credibility – biotechnology's seen as something to benefit the American farmer," suggests Hoban.

Doyle Karr at the Iowa headquarters of Pioneer Hi-Bred, the largest US producer of corn seed and a big player in biotechnology, agrees. "There seems to be an emotional attachment to food in Europe Folks will go out to eat for three hours. If it takes that long here, we think there's something wrong with the service."

A big question is whether waves of European resistance, such as the furore in the UK, will influence US attitudes or whether US confidence will come to rule in Europe instead. Clearly environmental advocates do not believe the battle is lost.

The International Center for Technology Assessment – representing a bevy of worried organisations, from Greenpeace to the Council for Concerned Scientists – filed a lawsuit yesterday against the Environmental *Protection Agency, claiming* its approval of "Bt crops" (engineered to carry internal insect resistance) was unlawful.

Agribusinesses also concedes that US consumer support needs to be watched. "It's an ongoing challenge. *It's a process you can't take* for granted at any stage," says Pioneer.

Phil Angell, in Monsanto's Washington office, agrees: "I can't imagine that some attention won't be paid to the pyrotechnics that are take place in Europe," he says.

But Professor Hoban also senses some shift in attitudes among European regulators, particularly where there are big, national commercial interests, as in Germany. But that is not the story in the UK. "The UK has clearly gone more negative," he admits. "But I wonder how much of that is a lingering of the mad cow *disease issue?"*

A retail chain yesterday advertised in the top selling UK daily newspapers and advised shoppers "worried" by GM foods to visit its stores

Campaigners dump 4 tonnes of beans by Blair's street

Campaigners opposed to the introduction of genetically modified foods today stepped up pressure for a ban by dumping four tonnes of GM soya beans outside Downing Street, in London. Greenpeace said *seven of its volunteers were* arrested after a truck dumped the beans on the pavement outside the gates to the street, which includes the official residences of the prime minister and chancellor of the exchequer. Lord Melchett, the group's *executive director, watched* the protest and warned Tony Blair, the prime minister, not to follow President Bill Clinton's promotion of GM companies. "He should listen to the wishes of the UK public who want him to ban gene food now," he said.

Investors 'not being alerted to risks of junk bonds'

By James Mackintosh in London

Savers are being tempted to move money into high-risk junk bonds by adverts that fail to stress the dangers, Barclays' b2 investment division warned yesterday.

The warning comes in the wake of a series of junk bond fund launches by big-name managers, begun by M&G in September, that made the sector one of the most popular for new investments. M&G alone has raised £140m, a new Schroder fund that closed last week raised £16m and offers from Perpetual, Fidelity and Mercury are under way.

Junk bond unit trusts – mostly held by private investors through personal equity plans – can pay 8 per cent or more because they buy sub-investment grade bonds, against 5-6 per cent on safer *high-quality bond funds.* But Barclays believes fund managers can only create such high headline yields by taking big risks on bonds from unproven and often unprofitable companies.

John Kelly, investment director of b2, said: "We are concerned that investors are not aware of the risks of these products . ... none of the adverts say high risk – *they all say high yield."*

However, junk bond fund managers argue that the higher risks of corporate bonds are counterbalanced by higher yields. And M&G disputed Barclays' claims that private investors fail to understand the risks. Tessa Murray, communications manager at M&G, said it had sent out 25,000 copies of its guide to bonds. "I think a lot of people underestimate the investing public," she said.

The latest fund manager to move to junk bonds is Mercury, owned by Merrill Lynch, which is to up the yield on its high-quality bond fund from 5.5 to 8 per cent by adding junk bonds.

Shift to index-tracked funds 'inevitable'

By Jane Martinson, Investment Correspondent

A continuing shift towards index-tracking fund management is "inevitable" in the UK, according to Mark Boleat, outgoing head of the Association of British Insurers.

ABI members, which manage about £600bn ($975bn), include both index tracking and active managers.

The comments follow the government's recent savings and pensions proposals, which have provided a fillip to index-tracking managers through their support of low-cost provision.

Mr Boleat, who has indicated his desire to leave the ABI by April, said this week that the trend towards lower charges would increase pressure on fund managers. "There is no doubt that there has been a shift towards passive fund management and active institutions have got to justify their costs more than they have in the past," he said.

But Mr Boleat, who has been with the ABI for more than five years, stopped short of endorsing a management style. "Whether good or bad is entirely a matter for the market to decide," he said.

The underperformance of active managers against the index for the past three years has raised questions about fees charged.

Insurers were widely regarded as the main losers of the government's latest pension proposals, unveiled last month. These backed a unit or investment trust structure widely regarded as a threat to the personal pensions market dominated by the insurance industry.

The government's proposed individual savings accounts are also expected to boost funds managed by index-trackers because of the low charges demanded by the government standard. The Treasury has indicated it wants to see greater transparency about fund manager fees.

William Mercer, the consultancy, estimates that 20 per cent of the UK equity market is indexed after growth over the past year. It expects an increase to 25 per cent over the next two years.

Ministers seek legislation over euro preparations

By Kevin Brown, Industry Editor

Legislation allowing government departments to prepare for UK membership of the single European currency may be needed before entry has been approved in a referendum, say ministers drawing up plans for the transition to the euro.

Business leaders say they have been given assurances that the government will address the issue of legislation in the Outline National Changeover Plan for British participation in the euro, which will be published by the Treasury next week.

Gordon Brown, the chancellor of the exchequer, is expected to make a Commons statement setting out the practical steps necessary for UK participation in the single currency once approval has been given by parliament and in a referendum.

The plan, which is thought to be largely consultative, does not indicate when the cabinet will decide to call a referendum. However, it suggests an early start on essential systems changes would reduce the transition period.

Business leaders have pressed the government to make a clear statement on its plans for paving legislation, arguing that it is unfair for ministers to urge pro-European business people to make the case for the euro while the government itself does nothing.

Ministers have refused to respond, arguing that nothing could be done until the details of the changeover plan had been finalised by the chancellor's standing committee on economic and monetary union.

Legislation is required because it is unclear whether government departments have the legal right to spend more than small amounts of public money on preparations for the euro. Departments which would need systems changes, such as the Inland Revenue and Social Security, have been told that they can spend money to determine what changes would be required, but there is no legal basis for substantial spending.

NEWS DIGEST

ACCIDENT RESEARCH

Airbag inflation noise may cause deafness

The noise of a car airbag inflating in an accident may cause hearing loss and persistent tinnitus, according to a report in the British Medical Journal today. The article suggests injuries from airbags may become more common because of their popularity in current safety design and their close proximity to drivers and passengers. Graham Buckley, consultant otolaryngologist (head and neck surgeon) at Leeds General Infirmary, in northern England, carried out the study with colleagues from St James's University Hospital, Leeds, and the Vehicle Safety Research Centre. The inflation of an airbag can generate a sound level of up to 170 decibels which lasts for just 0.1 second, the findings state. Mr Buckley added that he had heard of six cases of hearing damage resulting from airbag inflation in the US and two cases in Britain.

CAR PRODUCTION

Output down 6.2% in January

Car production fell by 6.2 per cent in January compared with the same month a year ago, according to figures yesterday from the Society of Motor Manufacturers and Traders and the National Statistics Office. The decline was partially offset by an increase in output for export. A 28.8 per cent drop in output for the domestic market was the big factor in January's decline, to 142,853 from 152,242. In part it reflected production cutbacks at BMW's Rover offshoot and Ford. Industry analysts suggested the underlying situation was not as gloomy as it appeared. A sharp fall in new car demand in January – which is continuing this month – reflects changes in the pattern of demand caused by the ending of the annual August registration plate change in favour of six-monthly changes, starting on March 1. **John Griffiths, London**

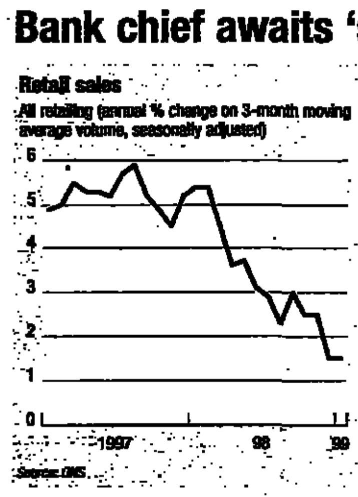
LAW AND ORDER

Minister urges public action

Jack Straw, the home secretary, confirmed his credentials as a champion of the "zero tolerance" approach to crime and disorder yesterday by relating anecdotes about citizen's arrests he has made and urging the public to end the "walk-on-by" culture. Mr Straw, urging people to take a stand against low-level crime, said challenging young criminals was the responsibility of all society, not just the police. The National Association for the Care and Resettlement of Offenders agreed the whole community had a responsibility for tackling youth crime but warned it was risky for the public to intervene in any incidents. Mr Straw said: "I am not asking people to do anything I have not done myself." **Simon Buckby, London**

THE ECONOMY

Bank chief awaits 'soft landing'



Eddie George, governor of the Bank of England, the UK central bank, predicted last night that the faltering UK economy would achieve a "soft landing", despite the risk of a downturn in output over the next few months. "The slowdown will be relatively mild and short-lived, certainly compared with equivalent periods in the past," he said.

In an upbeat speech to an audience at Hertfordshire University, he said economic growth would pick up on the back of stronger domestic demand this year. Output would return to its long-term average growth rate in the second half of 2000. Coming only a few weeks ahead of the government's Budget, his relatively optimistic assessment appeared consistent with the Treasury's own outlook. It reinforced the view that the chancellor of the exchequer may leave his forecast for growth this year, 1-1.5 per cent, unchanged.

Together with official data yesterday showing an strong rebound in shop sales in January, Mr George's remarks added to the growing consensus among economists that interest rates will not fall much further or faster than they already have. Retail volumes rose 1.1 per cent in January from December. **Christopher Adams, London**

CHARTER AIRLINES

17% delayed in peak season

Flying Colours, Pegasus Airlines and British Airways were the most punctual UK charter airlines last year, while Britannia suffered a sharp deterioration in performance, according to figures out today. The Air Transport Users Council says 17 per cent of all charter flights were delayed by more than an hour during the peak season of April to October last year, about the same level as in 1997. The average charter flight was delayed by 38 minutes. The council, set up by the Civil Aviation Authority to represent passengers, said this performance was commendable, as air traffic increased by 7 per cent and delays to scheduled flights rose 13 per cent.

Flying Colours, owned by Thomas Cook, was the most punctual charter carrier, with 5 per cent of flights delayed for more than an hour. **Michael Skapinker, London**

BUSINESS LUNCH IAN HARLEY

Dedicated to being ordinary

Lucy Kellaway meets the cautious chief executive of the UK's Abbey National who professes to being a joker and a rebel

In his pocket Ian Harley carries a yellowing security pass containing a picture of a young man with big hair, big lapels, a big tie and a bushy moustache.

The chief executive of Abbey National, the UK bank, is now clean shaven, with small lapels and receding hair, but still uses the pass he got on his first day with the company in 1977.

The fact he has not lost it in 22 years suggests he is a careful, orderly person. And the fact he has chosen not to renew it suggests an aversion to waste.

His attitude to waste is also apparent in the private dining room in Abbey National's down-at-heel headquarters. Shiny wallpaper, frumpy furniture and oil paintings that could have come from Woolworths. The only new things are maroon and grey carpet tiles which seem to have been left over from a branch re-fit and bear no relation to the faded colours in the rest of the room.

Presently Mr Harley comes in, quiet and slightly aloof. He shakes my hand with civility and waits for questions. Then, like *the accountant he is, he offers* cautious, sensible replies.

The room, he agrees, is ghastly. "My office is horrible, too," he says in his serious Scots voice. But he doesn't care. Smart offices send out the wrong signals and, in any case, he is not one to spend much time looking at his surroundings.

Neither is he the kind of guy who likes a good lunch. Luigi, Abbey National's loyal retainer, brings in a very nice smoked salmon starter which Mr Harley plays with. Wine is poured but he does not touch it.

What he enjoys is going on a 250-mile sponsored bike ride in Cuba. At least I assume that is what he enjoys: his account of the ride he had just completed did not include emotion of any sort, rather a list of reasons why going had made good sense.

He tells me how, after a week of cycling, followed by a five-hour Cuban bus journey and nine-hour flight in economy class he went straight into the office. He did not appear to be boasting, he was simply reporting the facts.

Business, he believes, should have a social conscience. "It makes good commercial sense. It is good for your soul as well. You have to try and get balance in your life."

He thinks a bit and then adds: "I'm a one to talk about balance as I spend too much time in the office."

Indeed he leaves home every morning at 6.30. He gets the train into work (other chief executives of Footsie companies might be picked up by their chauffeurs, *but not he), is in meetings all day* and then goes home to his wife and sons.

> **'Being passionately ordinary may be as bad as being passionately extraordinary'**

He does not make it sound terribly exciting. Yet his solid, unflashy style has impressed a lot of people in his first year as chief executive. The City rates him.

"I've got a good team of people," he says. "They do the work. I almost need to apologise for being here at all."

This sounded too self-effacing to be true. Surely there is an ego in there somewhere? He clears his throat and gives the matter some thought. "Being passionately ordinary may be as bad as being passionately extraordinary. Reverse ego."

Reverse ego or not, Mr Harley knows what he is doing. For one thing he is trying to concentrate on the business itself rather than on mergers or acquisitions.

Equally, he is trying to make sure that the views of people down the organisation are heard further up. But for all that he is no softy.

"I have to give the impression of being a reasonable man but, at the end of the day, I can be very unreasonable if I think somebody is being obstructive. This is not a democracy."

The main thing you need to get to the top of a big organisation, he says, is luck. And luck is something he feels he has had plenty of. His first stroke of luck was being born to a family who were happy for him to stay on at school, while most of his friends were out working at 15. His family still live in the same council flat and, despite the fact that their son runs a building society-turned bank, they have steadfastly refused to become home owners.

Harley junior sounds just as frugal. "I could support my lifestyle on one tenth of my salary," he says. "I don't spend money. I don't have time. It piles up in various forms of investment. Unless my tastes change dramatically it will still be there long after I'm gone." (Last year he was paid £390,000)

His mind is precise, almost pedantic. You ask him a simple question, such as whether he likes going out in the evening, and he will say "yes and no" and then explain exactly what he means.

Even if you ask him about his television viewing habits you get a qualified response. "I suppose," he says carefully, "I'm *reasonably* up with *Coronation Street* and *EastEnders*. I like a good human interest story."

Yet for all this caution, Mr Harley likes to see himself as a bit of a rebel. He tells me how he always takes off his suit and tie the minute he gets home and how this has got him into trouble at his local church. "I was deputy warden for a couple of years and the older ladies got terribly upset because I never wore a tie. You get to the stage where you wear louder and louder sweaters as a protest."

I try to imagine him in a loud sweater but do not quite manage it.

As well as a rebel, Mr Harley sees himself as a joker. Evidence of this is to be found in the customised number plate on his Jeep. It cost him £2,000 and says J1BES.

"I've got an over-developed sense of humour," he asserts. "Sometimes it gets me into trouble. J1BES is a reminder that one man's joke is another man's taunt.

"Every now and again I put my foot in it, by saying something that is supposed to be funny but isn't."

I press for examples and after more throat clearing he says: "When I get bored I like to tease the secretaries about their hair, their dress. A woman in the office was dressed head to toe in black. I said: 'You look wonderful. Have you been to a funeral?' She said: 'Yes, I have.'"

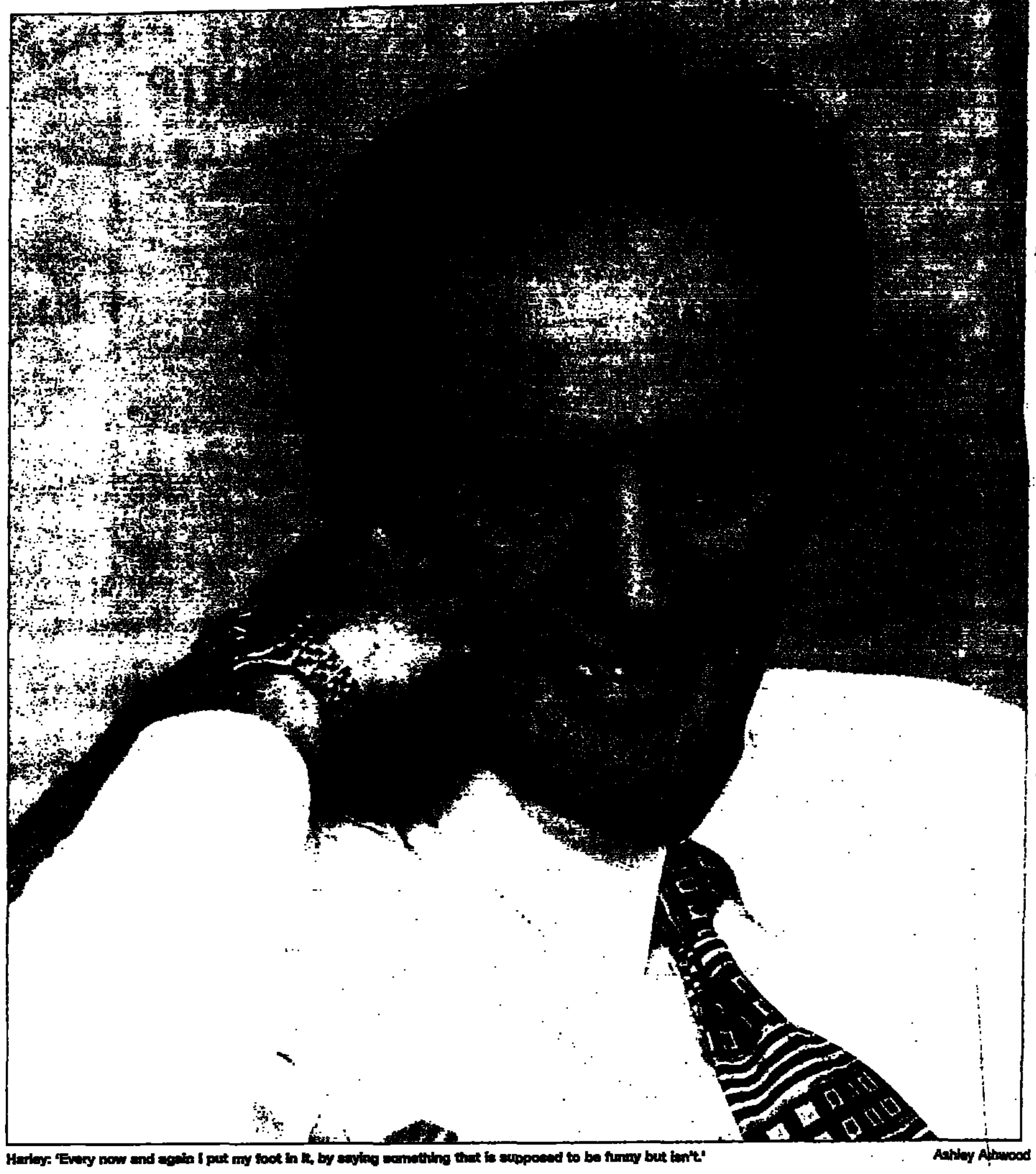
This struck me as pretty mundane, but I didn't say so. Instead I change the subject and ask why he has agreed to do this interview.

"I'm curious," he says. "I'm always happy to talk to anyone. I'm not in a conventional sense a very interesting person. I don't do anything like jump out of planes. But I do believe that people are important."

But what is he doing this afternoon? "That's a good question," he says.

For a minute he seems confused. His secretary, he said would remind him. "Like most men I'm run by the women in my life."

In the lift on the way down he volunteers no hellos and mercifully cracks no jokes about his staff's hairdos. He says nothing. And neither do they.



Harley: 'Every now and again I put my foot in it, by saying something that is supposed to be funny but isn't.' Ashley Ashwood

THE ARTS

Asian tiger unsheathes its artistic claws

Antony Thorncroft reports on how the commercial mecca of Singapore is turning its attention – and money – to the arts

"Singapore, Global Arts Centre": not so much a challenge to the Trade Descriptions Act, more a case of well-founded optimism. This hub of commercial enterprise has not so far set the world alight with its cultural achievements. The main priority of the city-state government has always been getting the economy right. Now, in spite of the economic downturn in the region, Singapore is turning its attention to the moral well-being of its well-drilled population.

It helps that the president, Ong Teng Cheong, was a former arts minister and that the present arts minister, B.G. George Yeo, is a youngish high-flier. The money is available, even in these harder times. What is now needed is example, encouragement, and education.

Fortunately, Singapore is experiencing an unexpected phenomenon – its first home-grown musical hit. *Chang & Eng*, based on the lives of the original 19th-century Siamese twins, has broken all box office records in a city where a touring show by Lord Lloyd Webber or Cameron Mackintosh does well if it plays for a couple of months.

Chang & Eng is enjoying its third revival at the Victoria Theatre, a splendid Victorian conversion by the river which seats 800. The show has toured China, and Broadway has been mooted. It is providing many Singaporeans with their first visit to the theatre, guided by the Chinese surtitles. They love it.

Much of their enthusiasm comes from its familiarity. Ekachai Uekrongtham, who conceived, produced and directed the show, along with Ken Low, who provided the music and lyrics and Mong Wong, the book, has modelled *Chang & Eng* on Chinese opera.

It is the plot that makes *Chang & Eng*, with its black-and white view of the world, watchable: There is one element of dramatic tension: should the twins be surgically separated? The more passive Eng hates the idea, the more aggressive Chang wavers. How could Cameron Mackintosh have overlooked the dramatic possibilities in twins, joined at the trunk, who prospered in the US, changed their names to Bunker, became farmers, and fathered 21 children between them?

The music may be a pastiche of Lloyd Webber, but *Chang & Eng* has oodles of charm, winning and versatile performances by RJ Rosales and Robin Goh as the twins, and enough of a feel-good factor to lighten up a small town.

Chang & Eng, together with the Singapore Symphony Orchestra, which occupies the adjoining concert hall – and is achieving around 65 per cent capacity under its new maestro from China, Lan Shui – are providing the island with its first examples to emulate. The government is doing its bit by investing S$600m (about £250m) in creating the first purpose-built cultural buildings in Singapore.

The Esplanade Centre is expected to open in 2002. The final commission of the British architect James Stirling, the Esplanade will provide a 2,000-seat theatre and an 1,800-seat concert hall, as well as a small studio, on a prime slice of reclaimed land. Economic reality has scaled down the venture from the original five performance spaces, but it is still an impressive structure.

Singapore is experiencing an unexpected phenomenon – its first home-grown musical hit

With the creation of the Esplanade there is no going back. It demands large-scale productions such as Broadway musicals, and equally large-scale visitors, such as the Royal Ballet and the RSC, and the major leading Australian arts companies. There will be no resident groups and Chinese culture will form more than half the *repertoire*, but the authorities are determined that no big cultural group will venture into south-east Asia without docking at Singapore. The expectation is that ticket sales, restaurants and shops will meet the running costs.

If giant arts centres as a sign of a city's pride have a slightly dated image, one of Singapore's other initiatives to encourage local artists has the ring of the future. The National Arts Council, which distributes a government grant of some S$35m a year, has taken over some of the abandoned European bungalows and crumbling old shophouses and handed them over to arts groups. The Arts Housing Scheme has 17 properties offering rehearsal and office space for more than 40 companies, such as Actors Theatre, which created *Chang & Eng*, the Young Musicians Centre and Dance Ensemble Singapore. The groups must deliver work of artistic worth, but the scheme is helping to create an attractive cultural district in Singapore.

Fortunately the area is conveniently close to the museums, which are also receiving a facelift. The Singapore Art Museum has been re-housed in the grand 19th-century St Joseph's Institution after a S$31m refit and has already become the regional beacon for post-1945 south-east Asian art, while the first-purpose built museum, an extension for the Asian Civilisations Museum, is rising close to the river.

After example and encouragement comes education. The National Arts Council expects to have contacts with every school in Singapore by 2005. It is pushing against an open door. Singapore has one of the youngest and best educated populations in the world. Audiences are not the problem: the Singapore Festival of the Arts in June, which this year becomes an annual event, is expected to be sold out.

The commitment to the arts is mainly aimed at creating a culturally alert, more imaginative workforce. However the government is well aware of the economic benefits from developing cultural tourism. If you can persuade visitors to spend just one extra day in this great transit city to see a show or an exhibition, the financial gain is tremendous.

Not everything is culturally rosy in Singapore. Most of the funding has come traditionally from business and while most sponsors are staying loyal during the recession, there will be no growth in cash support this year. The government and the population generally prefer the more spectacular arts events to the more questioning. But with Hong Kong, the traditional cultural beacon in Asia, stuttering, all the signs are that go-ahead, confident, disciplined Singapore will achieve its cultural ambitions in double quick time.

Even more exotic in the flesh then on the screen: Uma Thurman as Jennifer, with Roger Rees' Alceste in Martin Crimp's adaptation

Dixie Sheridan

NEW YORK THEATRE THE MISANTHROPE

Uma lives up to expectations

Brendan Lemon on up-to-date Molière enhanced by a movie star

American theatregoers are so used to having their Molière served up in the carefully combed couplets of Richard Wilbur's durable translations that it comes as something of a tonic to encounter Martin Crimp's vulgar, contemporary, often awkwardly rhymed adaptation which the Classic Stage Company is using for its new production of *The Misanthrope*.

Crimp's version is ostentatiously up-to-date; and just so we don't fail to grasp that this production intends to hold a glass up to the vanities of today's urban audience, the CSC's coldly metallic stage is dominated by a tilted mirror that reflects many of its patrons.

When she drapes herself across her suite divan like Olympia, she is irresistible

In a programme note, Crimp justifies his topical approach by citing: "When you portray [tragic] heroes, you can do what you like. They're imaginary portraits, in which we don't expect to recognise ourselves... But when you portray real people, you have to paint what you see. The pictures must be accurate. And if you don't make recognisable portraits of the contemporary worlds then nothing's been achieved."

Crimp certainly struggles hard to ensure the relevance of this story set in today's London and concerning a middle-aged writer and a woman half his age. Sometimes Crimp's references – sexual scandals of top politicians, Holocaust movies with "a feel-good factor" – are timely and amusing. More often, they are shopworn: one character rails at academic postmodernism as relentlessly as a fusty don at high table circa 1988; another snorts the longest line of coke this side of an early Jay McInerney novel.

The brittle adaptation, however, matters little to many in the CSC audience: they are here to see Uma Thurman. Some have come expecting to bask in her young-Marlene beauty, others, surely, hope to cackle if she trips up. But in this, Thurman's serious stage debut, it is the former claque who emerge satisfied. The actress is even more exotic in the flesh than she is on screen, and if her verse-reading technique and stage movement are not quite as expressive as those of her co-star, Roger Rees, who plays Alceste, she otherwise acquits herself quite well.

To be sure, Jennifer, as Thurman's role is called in Crimp's version, is hardly the most comprehensive test of stage acumen. The character is almost all artifice; it requires poise but not pathos. And the part is almost too well-tailored to Thurman's persona: Jennifer is a movie star trapped by her own charisma, an effortlessly chic creature who has "an open-door policy" with men. Her promiscuity makes sense: when she drapes herself across her hotel suite divan like Manet's Olympia, she is irresistible.

Of the many who vie for her favours, it is perhaps the critic Covington who is most delightfully absurd. As played by Nick Wyman, all actor with a rolling basso voice and a 1950s movie-star mien, Covington reads aloud an extract from a play he has written with pompous glee.

His catty commentary on the 1999 theatre scene is a virus caught by almost everyone in the cast: Alceste's friend John (Michael Emerson), the scurrilous journalist Ellen (Adina Porter), the untalented actor Julian (Seth Gilliam) and, above all, a frustrated feminist acting teacher, Marcia (Mary Lou Rosato).

The most pointed piece of theatre chat comes when one of these hangers-on asks: "Could you really bear/to sit through another play by Ayckbourn or David Hare?". The reference cuts close, of course, because uptown, on Broadway, Hare's adaptation of *The Blue Room* features a marquee similar to the Rees/Thurman casting in *The Misanthrope*: a lovely, stage-inexperienced movie star, Nicole Kidman, is paired with an RSC experienced British actor, Iain Glen.

In both instances, one is reminded of Katharine Hepburn's assessment of Rogers and Astaire: "He gives her class, she gives him sex."

If Thurman is less assured on the stage than Kidman, she is nonetheless considerably more erotic, and this fact goes a long way towards explaining why in New York just now Crimp's rewrite of Molière strikes one as more enjoyable than Hare's interpretation of Schnitzler. *The Blue Room* is more slickly directed (the Molière staging, by Barry Edelstein, sags woefully in the second act) and has a more polished veneer. But *The Misanthrope* has rough-and-tumble charm, and considerable panache.

'The Misanthrope', Classic Stage Company, Off-Broadway.

Reaching the core of the onion

THEATRE

IAN SHUTTLEWORTH

Peer Gynt
Royal Exchange Theatre, Manchester

Every so often a director will take it into his or her head to stage the unstageable, and high on the list of unstageable favourites is Ibsen's *Peer Gynt* – written to be read rather than acted, and with an uncut playing time of some six hours. Peer's search for his endlessly receding selfhood strikes a deep chord in our collective unconscious, but actual, physical presentations can all too easily stagger under the weight of gimmickry or flounder in a metaphysical fog.

Not so Braham Murray's production, in which Peer – even as, *like the proverbial Irish goat, he* "goes a bit of the road with everyone" – is rooted in a northern solidity. He is more a role-player than an outright fantasist, and his core character always shows through; even after assuming the guise of a prophet and adopting a Bhagwan-like "Binglish" lilt, to fool the gullible, his lecherous asides are delivered in pure Mancunian.

This is at least as much due to David Threlfall's performance as Murray's directorial vision. Threlfall, in his natural shaven-headed state, has the physical and vocal versatility to play both the youthful baggies-and-trainers Peer and the aged man realising with horror that there is no centre to the onion of his personality. It is also a testimony to Michael Meyer's translation (his 1962 version, as pared down for a 1970 production, and running at less than three hours) that, with so few adjustments, it continues to ring naturally even amid such unnatural situations as Peer's negotiations with the troll king.

In other respects, however, Murray's production is very definitely contemporary: the dance early in the action takes place to a techno-and-banjo accompaniment worryingly close to the loathsome "Cottoneye Joe", and Peer later finds the Philosophers' Club peopled by figures ranging from Marx and Hitler to Chris Evans and Tony Blair (interestingly, between the printing of the programme and the opening night, Bill Gates was replaced in this scene by the more recognisable *Michael Jackson*).

Josette Bushell-Mingo provides strong support as, among others, the patient Solveig and the troll princess, but is rather underused; sadly, the same could be said of Espen Skjonberg who, although making substantial appearances as the trollish Old Man of the Mountains and the Button Moulder dispatched to collect Peer's soul for recycling, contributes primarily a sense of authentic Norwegianness.

Nevertheless, this is a production which, while steadfastly refusing to impose a directorial or presentational logic on the play (what on earth, for instance, are those human birds doing on their Kirby wires?), makes eminent sense on a fundamental level. Not so unstageable after all.

More role-player than outright fantasist: David Threlfall in the title role

INTERNATIONAL Arts Guide

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Rise and Fall of the City of Mahagonny: by Kurt Weill, libretto by Brecht. New staging by Günter Krämer, conducted by Lawrence Foster, with designs by Gottfried Pilz and Isabel Ines Glathar; Feb 20, 24

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-051-529 999
La Bohème: by Puccini. Conducted by Daniele Gatti/ Paolo Arrivabeni in a staging by Lorenzo Mariani, with designs by Willy Orlandi; Feb 19, 20, 21, 23, 24

BRUSSELS

OPERA
La Monnaie
Tel: 32-2-229 1211
Lady Macbeth of Mtsensk: conducted by Antonio Pappano in a new staging by Stein Winge, with sets by Benoît Dugardyn and costumes by Jorge Jara; Feb 19, 21

CARDIFF

OPERA
Welsh National Opera
Tel: 44-1222-464 666
Peter Grimes: by Benjamin Britten. Carlo Rizzi conducts a new staging by Peter Stein. With sets by Stefan Mayer and costumes by Moidele Bickel; Feb 20, 24

CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
Diego Rivera: Art and Revolution. Major retrospective of the Latin American painter and folk hero. Rivera was a pioneer of the muralist movement, and his work is unique in 20th century art. This show features 125 works and includes public and private loans from Europe, Japan and Mexico; to May 2

GLASGOW

OPERA
Scottish Opera, Theatre Royal
Tel: 44-141-332 9000
The Magic Fountain: by Delius. Conducted by Richard Armstrong in a new staging by Aidan Lang; Feb 20

LAUSANNE

EXHIBITION
Musée Cantonal des Beaux-Arts
Tel: 41-21-312 8332
Courbet – artist and promoter: more than 70 paintings by Gustave Courbet (1819-77), including landscapes, portraits and nudes; to Feb 21

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● London Symphony Orchestra: conducted by Lorin Maazel in the UK premiere of his Music for Violin and Orchestra, and in Bartók's First Portrait; and by Wolfgang Gieron in Tchaikovsky's Symphony No. 6; Feb 24
● London Symphony Orchestra and Chorus: conducted by Myung-Whun Chung in Mahler's Symphony No. 2, with soprano Andrea Dankova and alto Sara Mingardo; Feb 21

Royal Festival Hall
Tel: 44-171-960 4242
● Mikhail Pletnev: recital by the pianist of works by Bach, Mendelssohn, Grieg and Schumann; Feb 21
● Philharmonia Orchestra: conducted by Leonard Slatkin in works by Karel Husa, Tchaikovsky and Dvorák, with violin soloist Cho-Liang Lin; Feb 20

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Parsifal: by Wagner. Conducted by Mark Elder in a new staging by Nikolaus Lehnhoff, with sets by Raimund Bauer and costumes by Andrea Schmidt-Futterer. Cast includes Kim Begley and Jonathan Summers; Feb 20, 23

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in the world premiere of John Adams' Naive and Sentimental Music. Programme also includes works by Haydn and Schumann. With cello soloist Heinrich Schiff; Feb 19, 20, 21

MANCHESTER

CONCERT
Bridgewater Hall
Tel: 44-161-907 9000
BBC Philharmonic: conducted by Peter Maxwell Davies in the UK premiere of A Reel for Seven Fisherman, and by Vassily Sinaisky in works by Beethoven and Shostakovich, with piano soloist Lars Vogt; Feb 20

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Ingo. Metzmacher in works by Schubert and Henze; Feb 21, 22, 23
● Prague Symphony: conducted by Tomás Koutník in works by Dvorák and Mendelssohn-Bartholdy, with violin soloist Pavel Sporcl; Feb 19
● Salzburg Mozart Orchestra: conducted by Hubert Soudant in works by Beethoven and Tchaikovsky, with piano soloist Valéry Afanassiev; Feb 20

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Kurt Masur in works by Menotti and Mahler, with mezzo-soprano Jennifer Larmore, tenor Richard Leech and violin soloist Glenn Dicterow; Feb 19, 20, 23

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Moses and Aron: by Schoenberg. Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson; Feb 20, 23

NEWCASTLE

CONCERT
City Hall
Tel: 44-191-261 2606
Royal Liverpool Philharmonic Orchestra: conducted by Jun'ichi Hirokami in a programme of French music including Canteloube's Songs of the Auverge and Berlioz' Symphonie Fantastique, with mezzo soprano Della Jones; Feb 19

PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Orchestre National de France: conducted by Pinchas Steinberg in works by d'Indy, Saint-Saëns and Prokofiev, with piano soloist Jean-Philippe Collard; Feb 19

PRAGUE

DANCE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Nutcracker: by Tchaikovsky, in a staging by Russian choreographer Jurij Grigorovic, with sets and costumes by Simon Virsaladze; Feb 24

ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Algardi: The Other Face of the Baroque. First major exhibition devoted to Bernini's great rival, the Bolognese artist Alessandro Algardi; to Apr 30

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony and Chorus: conducted by Vladimir Ashkenazy in works by Beethoven and Scriabin-Nemtin. With piano soloists Radu Lupu and Alexei Lubimov; Feb 19, 20

THE HAGUE

EXHIBITION
Gemeentemuseum
Tel: 31-70-3388 1111
Silver from the time of the United East India Company: display of 17th and 18th century silver; to Mar 21

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
Yomiuri Nippon Symphony Orchestra: conducted by Rafael Frübeck de Burgos in works by Rodrigo and Falla; Feb 19

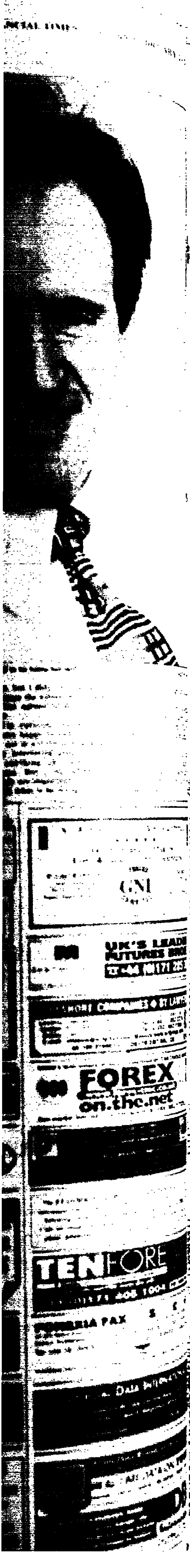
TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE.



PHILIP STEPHENS

A question of trust

The scare over genetically modified food has revealed a crisis of confidence not in science and agriculture, but in our politicians

It's not about soya, stupid. It's about trust. Watching the storm about genetically modified food break over Tony Blair's government, the temptation is to sigh and move on. Usually a sober lot, the British are prone to bouts of inexplicable hysteria. This time a row between scientists over laboratory engineered potatoes has triggered a national panic about "Frankenstein foods". The moment will pass.

Yet to dismiss this scare as a peculiarly British spasm is to misunderstand its significance. Beneath the media distortion, the pressure group opportunism and some genuine cause for alarm lie disturbing currents. They extend beyond Britain's shores. We have been reminded of just how far and how fast science is moving towards remaking the basic building blocks of life. That worries us. And it should. What turns this natural concern into irrational panic, though, is the erosion of trust between government and governed.

We are told that genetically modified food is safe (Mr Blair eats it himself) and that our environment is protected. Ministers produce scientists by the dozen to attest to these facts (forgetting, of course, there are very few facts in this branch of science).

Yet the public is inclined to scepticism. It suspects the government has fallen captive to big business. It wonders about all those industrialists tripping over the threshold of 10 Downing Street. Who is paying for lunch? Mr Blair is learning fast what happens when politicians lose that most precious of commodities, the benefit of the doubt.

On one level I can understand Mr Blair's present frustration. If he has been beguiled by business he has not be bought by it. The lurid claims now heard about the perils of biotechnology owe much to invention and more to the political opportunism of his Conservative opponents. Readers of the tabloid press have been told that white-coated meddlers want to poison our children with genetically sweetened tomatoes and to destroy the countryside with insect-repellant soya. We hear about particles of gold and tungsten being coated with DNA before being shot from "gene guns" into living cells. This is beyond our knowledge. And it sounds frightening.

Each attempt by the government to answer the charges with sober scientific analysis has met another spate of scares. In the process, the popular hysteria has conflated and confused two distinct issues. One asks whether in eating genetically altered foodstuffs – maize, soya and tomatoes – we might wreck the delicate balance of the human ecosystem. How will the bacteria in our guts react to transgenic plants?

The second ponders whether crops engineered to kill the insects that would normally feed on them might wreck the delicate balance of nature. Robbed of insects, the countryside could soon be devoid of birds ... and so on. An abundance of food today might lay waste the environment tomorrow.

We are right to contemplate these risks. Genetic modification represents a unquantifiable leap. In the past we have been able to rectify mistakes. BSE was a catastrophe. But for all its heavy cost in lives and cash, mad cow desease was containable. Infected animals were slaughtered. Consumers stopped eating beef. Transgenic crops are different. Their genes will be carried through each generation. Genetic modification is forever.

What has been lost in the hysteria is a sense of perspective, a capacity to discriminate between, and evaluate, the separate risks. And then to add in the gains. There are safeguards. The regulatory and testing systems in Britain are as stiff as anywhere in the world. Maybe they should be stiffer. That is a debate worth having. But they exist. In North America, where consumers seem to shrug their shoulders at the reality of scientific advance, millions of acres are already planted to engineered maize and soya. In Britain, the present trials of such crops have yet to cover more than a few football pitches.

As to the safety of the foods already on supermarket shelves, they have been subjected to exhaustive tests. Consumer pressure can and should ensure that such ingredients are properly labelled. Choice is vital. The government agrees to authorise new products only on the best scientific advice. As far as one can tell, Mr Blair speaks the truth.

Yet the nation is not reassured. Most of us have always been wary of science. In a famous lecture 40 years ago, the writer C P Snow spoke of the cultural chasm which separates scientists from the world around them. The arts and science did not even share a common language. That was dangerous, he remarked. Nothing has changed.

Thus we applaud the advances of science but fret about their consequences. The first splicing of a gene back in the early 1970s has already brought substantial gains. Diabetics are treated with genetically modified insulin, growth hormones are safe, vaccines easier and cheaper to produce. On the horizon lies a genetic cure for cystic fibrosis. Then comes the but. Science delivered us penicillin, sure. It also gave Saddam Hussein his weapons of mass destruction. Is biotechology, we wonder, the godfather of a new eugenics? And was it not the best scientific advice that BSE could never cross the species barrier from cows to humans?

And if we are suspicious of science, we are justly cynical about the motives the of biotech industry. These giant multinationals now speak as if their mission is to save humanity, to put food in the mouths of the starving and medicine within reach of the sick. Baloney. Monsanto, a company which has spent many, many millions promoting its image as a guardian of the planet, has one ambition: to create value for its shareholders. There is nothing wrong with that. Business is about making money. But these so-called life science corporations should not expect the rest of us to be conned by their synthetic altruism.

And it is here that the politicians pay for the absence of trust. We expect governments to act as guardians of our interests, a firebreak against the eccentricities of scientists and the natural avarice of business. Its job is to sift the good science from the bad. We know, or we should, that all scientific advance involves risk. So does crossing the road. What we expect of the politicians is a regulatory framework diligent and robust enough to minimise those risks. Form time to time, the traffic lights must flash red.

This is no easy task. But the politicians have made it much harder for themselves. Modern political campaigning has become an exercise in character assassination. Even as they pull apart their opponents, today's successful politicians undercut their own credibility. We don't believe any of them.

Mr Blair knows now that destroying trust is much easier than building it. The revolution in plant science holds out a prospect of genuine gains for humanity. But there is no certainty in science, the more especially when it is mixed up with the profit motive. The politicians need to understand that. And to understand that even when fears seem irrational, they cannot be ignored. There is a Frankenstein monster in this story. It's called mistrust.

LETTERS TO THE EDITOR

Time Japan mustered political will

From Prof Ira Sohn.

Sir, Officials from G7 countries meet in Bonn this weekend to discuss improvements in the global financial architecture. Their focus is likely to be on more timely and detailed disclosures of central bank foreign exchange reserve data, guidelines for limiting short-term borrowing by banks in emerging-market countries and the creation of a forum to discuss ways of co-ordinating regulation and supervision of hedge funds, banks and other institutions that influence the flow of international capital.

In addition to the usually opaque and vacuous press release that normally follows these meetings, perhaps it is time for an unequivocally strong and public message to be conveyed to Japan's political and economic leadership decrying the recent practice of trying to manage the world's second largest economy with what amounts to a virtual *policy du jour* regarding Japanese interest and exchange rate policy. Their latest statements make currency speculators and hedge fund managers look like pillars of stability.

The time has surely come for the Japanese to discard the "snake-oil" remedies, such as massive infusions of money, that are being contemplated to restart their stalled economy. The Japanese need to dedicate themselves to mustering the political will to renovate their economy and its failing institutions with deep and long-term structural changes. These will, no doubt, upset many special interests and likely double the unemployment rate temporarily, as happened in the US in the 1980s.

Only economic renewal brought about by real structural and institutional change can provide the optimism and confidence – surely lacking in Japan now – needed for long-term economic prosperity.

Ira Sohn,
professor of finance,
Montclair State University,
Upper Montclair,
New Jersey 07043, US

Commission best advised not to intervene over open skies

From Miss Anne McIntosh MP, MEP.

Sir, Like you, I welcome the signs of agreement for a US-UK open skies accord (February 16). However, news that the European Commission has sent letters of warning to the Netherlands and France asking for information about their open skies agreements with the US should send warning signs to those who are seeking to liberalise the air transport market.

In time, bilateral negotiations conducted by member states of the European Union may be replaced by negotiations at EU level, conducted by the Commission. But that time has not yet come and in trying to intervene the Commission's action will distract from the network of routes in the UK and other EU countries that have already successfully negotiated open skies agreements.

The European Parliament has consistently argued that any open skies agreement with the US should extend to accessing cabotage routes and to more flexible foreign ownership of US carriers. This would open up possibilities for both European passenger and cargo airlines. Only if these two criteria are met can we see anything approaching a true open skies policy.

The US does not yet acknowledge the Commission in air transport agreements. I believe that these matters are best left in the hands of the governments of member states for the moment. Neil Kinnock, the EU transport commissioner, would be better advised at present to focus on pushing through the Commission's admirable plans to liberalise the rail sector in Europe on the British model.

Anne McIntosh,
Conservative transport spokesman in the European Parliament,
vice-chairman of the all-party parliamentary group on civil aviation,
Brussels, Belgium

Anthropology, art and porn

From Dr Gerald Horne.

Sir, Your article on the intimate ties between painting and photography ("The lens as servant to the master", February 9) raises inferentially another important question: why is it that photographs of bare-breasted African women – such as the one accompanying your article – are considered "art", or perhaps anthropological and thus worthy of inclusion in your high-minded newspaper, while similar photos of European women are deemed to be "pornography" and are only to be found in down-market rags?

I have my suspicions about the answer, but those with the faintest familiarity with the racialised world in which we live may also be able to figure it out.

Gerald Horne,
prof and director,
Institute of African-American Research,
University of N Carolina,
Chapel Hill,
NC 27599-3250, US

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171 873 5938 (set fax to 'fine'), e-mail letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

PERSONAL VIEW CARL BILDT

Embracing the Balkans

Europe should forge closer economic links with the former Yugoslav republics to encourage lasting peace

The international community's policy for the Balkans seems to consist of the establishment of a patchwork of protectorates. It is time for the European Union to put forward a more comprehensive and long-term approach to the region.

The 1995 Dayton accord for Bosnia still demands the presence of 30,000 soldiers and many thousands of civilians from other countries as peacekeepers. Much has been achieved during the past few years, but the peace process in Bosnia is far from self-sustaining.

A 1999 Rambouillet accord for Kosovo is likely to be more demanding and difficult than the deal negotiated at Dayton, Ohio. The interim nature of the peace plan being discussed leaves everything up for grabs further down the road. If the international community has learnt anything from the Bosnian peace process, it is the importance of setting up firm structures for civilian and political implementation.

While Bosnia has been gradually sliding towards a "soft" protectorate, with international peacekeeping troops maintaining a hands-off approach, it would appear that Kosovo will require a far more interventionist protectorate.

Protectorates of any kind have obvious drawbacks. Communities are no longer required to solve their problems, or to come to terms with their own future. Conflicts within communities become battles for the support of international actors. And dismantling a protectorate becomes more difficult the longer it remains in place.

Even with all their drawbacks, however, protectorates are the only option available to prevent conflicts escalating into a major Balkan war.

But long-term policy cannot be restricted to the establishment of a patchwork of protectorates in areas where the key interests of the region clash.

In parallel to the immediate issues, we must now start to discuss a long-term, comprehensive approach to the Balkans.

To deter war is fundamental. Nato must view the Balkans as the new central front in Europe and start to adjust command structures and troop deployments accordingly.

Nato must also recognise that permanent deployment in the Balkans will be far more relevant to the security of Europe in the years ahead than deployments in Germany geared to threats which have ceased to exist.

But deterring war is only the first, and perhaps easiest, of the tasks ahead. More important is the need to create structures for co-operation and integration that can stop the region's slide into permanent ethnic conflict.

Here, it is the European Union that must act.

The economies of the Balkans are devastated by wars and sanctions. Serbia's economy is run by a combination of mafiosi and the old nomenklatura. Croatia is still refusing to move towards a genuinely open economy. Bosnia has hardly embarked on the process of privatisation. Albania and the wider ethnic Albanian areas are the most poverty-stricken region of Europe. Poverty and despair are not conducive to long-term stability.

As part of a big deal for the Balkans, the European Union should be prepared to offer major reconstruction aid to all countries.

The long-term dream of all of the peoples of the Balkans, from the south of Slovenia and to the north of Greece, is to join the European Union. They regard themselves as Europeans – and want the world to see them as such.

But the reality is that none of these states will be ripe for membership for a long time to come. Their political systems do not meet our democratic criteria, respect for human rights is fragile at best, and very much remains to be done in the area of economic reform.

It would be irresponsible for the European Union to wait for change to happen on its own accord. We would then have to deal with one short-term crisis after another. Instead, we should try to devise structures that put them on the road towards European integration.

The European Union should provide the Balkan states with a clear blueprint for reforms that would pave the way for close integration, if not full-blown membership of the EU.

In economic terms, the aim should include the possibility of making them part of a broader euro-zone.

This would entail a transfer of sovereignty in matters of economics and structural issues to EU institutions. This would be important not only for drawing the Balkans closer to Europe, but also for reversing the current proliferation of barriers and borders in the Balkans.

Naturally, all of this must be linked to an opening of domestic political systems, and firm international guarantees for both the sovereignty and the autonomy of the different political entities of the area.

A major international conference could settle the pattern of sovereignty, autonomy and special relations that would be needed in this unique region. This will not immediately solve all the problems of the region. But neither can a solution to all problems be a precondition for these efforts.

Numerous objections have been raised to a long-term policy along these lines. Both in the European Union and in the region, there are those who prefer a policy of selective bilateralism, and raise endless objections to a true regional approach. Old prejudices die hard. But a policy of selective bilateralism will never contribute to the long-term peace and stability in the region.

Bosnia proves the point. If Serbia and Croatia were to be separated on the road towards European integration, the de facto separation line would be running right through Bosnia, thus putting the future of the country into doubt. Neither Franjo Tudjman, president of Croatia, nor Slobodan Milosevic, the Serbian leader, would necessarily regret such an outcome, but it should not be acceptable to the EU.

The task of reconciliation and integration is more challenging in the Balkans than it has been in any other part of Europe. Even so, the policies that succeeded elsewhere in Europe should be given a chance to work in the Balkans.

Beyond the Dayton deal and the Rambouillet deal, we must start to discuss the coming European deal for the region. Short-term protectorates can and must prevent wars. But only a long-term policy of integration can pave the way for true peace.

The author was formerly the EU's high representative in Bosnia and is chairman of Sweden's Moderate party

Balkans challenge: a sniper firing at an army position in Bosnia AP

PERSONAL VIEW WYNNE GODLEY

The US economy: An impossible balancing act

The US economy is facing a wall: personal savings are declining unsustainably. *When this stops, as it must, there will be a recession*

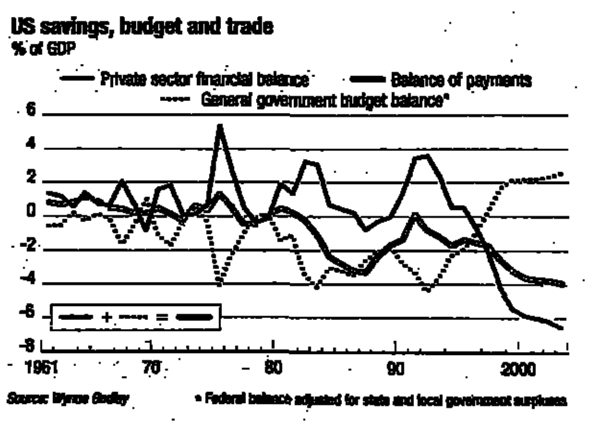
According to the British economist Gavyn Davies, there is now a "financial imbalance at the heart of the US economy ... [T]his is a highly unusual situation, and one fraught with danger."

The chart illustrates just how unusual the US's situation has become. The heavy line describes the financial balance of the private sector – that is, the excess of its disposable income over expenditure. Between 1960 and 1992 the balance was, on average, 1.1 per cent of gross domestic product in surplus; it was never more than 1.2 per cent in deficit and the deficits when they occurred never lasted for more than a year and a half.

The period since 1992 has been totally different. The private balance has fallen steadily from plus 4 per cent of GDP at the beginning of 1992 to nearly minus 5 per cent at the end of 1998. It is not merely the present size of the deficit that is remarkable but the size of its change over the Goldilocks period as a whole. The implied rise in private borrowing is confirmed by the extraordinary acceleration in the *money supply, from* minus 2 per cent in 1992 to a postwar record of plus 10.2 per cent in 1998.

The recent annual report of the Council of Economic Advisers forecast that GDP will grow 2 per cent a year for three years and 2.4 per cent thereafter. As it gives few details and little strategic analysis, I have tried to reconstruct what the CEA must be assuming will happen to the private balance given that it expects the economy to go on growing like this. The results are shown in the right-hand section of the chart.

The projections of the general government deficit are derived from those published by the Office of Management and Budget, adjusted to include state and local government budgets. The poor prospects for world output combined with continued growth at home suggest that the balance of payments will deteriorate further; net interest payments abroad will go on rising because of the increase in the US's net foreign indebtedness. So that the case is not overstated, the projections of the current account deficit are more favourable than unfudged econometric equations would suggest.



The implications of these projections are obvious and alarming. By accounting identity, the private deficit is equal to the difference between the government balance and the balance of payments. So if the budget surplus goes on rising and if the balance of payments goes on deteriorating, it follows, as night follows day, that the private sector balance must go on falling. The CEA must be assuming that the private balance will decline ever deeper into unknown territory, with expenditure rising stubbornly faster than income, for the next five years and more.

That is why the present unusual position is fraught with danger. Those who draw comfort for the US economy from the fact that the rise in equity prices has boosted households' balance sheets despite high levels of debt are missing the point. The expansion of the US economy since 1992 has depended on the growth of net lending to the private sector; and it is on the continued growth of that lending that the further expansion of the economy must now depend, given that the budget is in surplus and trade is in deficit.

The budget surplus would disappear and unemployment would rise to 7 per cent or more

This is not a reassuring prospect. Neither the growth *in net lending nor the acceleration* in the money supply can continue for ever, breaking records year after year. Nor, by the same token, can the private financial deficit continue to disappear down the plughole indefinitely, for this can happen only for as long as debt continues to grow exponentially. And, as Herbert Stein [a former chairman of the Council of Economic Advisers] once remarked, if something cannot go on forever, it will stop.

If the growth in the private deficit were to level off, so that the expansion of private credit ceased to provide any real stimulus, the US economy would not grow *fast enough to stop* unemployment from rising significantly.

My projections suggest that if the private balance were to revert to its normal level between now and 2003 - not, admittedly, a very strong assumption - the economy would more or less stop growing, with the average growth rate barely positive over the next five years as whole. The budget surplus would also disappear and unemployment would rise to 7 per cent or more.

The impact on the rest of the world would be no less disturbing. Western Europe would be least affected, although unemployment would probably ratchet up another million or two. The most pronounced effects would be in Latin America and Asia which would suffer a fresh round of substantial deflationary shocks.

This is more a navigational chart than a forecast. I am not predicting a hurricane later this year; the US boom may well continue for several more quarters. But it is clear that there are major perils ahead and policy will need to be substantially changed if the US is to take avoiding action in a timely fashion. It is my belief that *change will involve a full* scale rehabilitation of fiscal policy worldwide and that the ideas that underlie macroeconomic policy will have to be revised according to Keynesian principles.

The author is visiting scholar at the Jerome Levy Economics Institute in New York

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Friday February 19 1999

Missing the bus

Last May's nuclear tests made the need for a rapprochement between India and Pakistan urgent. Not only do both countries need a closer relationship to manage their nuclear capabilities safely but by moving to resolve their dispute over Kashmir they would lessen the risk of conflict that could now assume catastrophic proportions.

Tomorrow's Lahore summit is thus as welcome as it is surprising. This is the first visit to Pakistan by an Indian prime minister in a decade. Paradoxically, the tests made it possible. Previously, the idea of an impromptu summit - sparked by the inauguration of a bus service between Delhi and Lahore - would have been unthinkable.

Both sides are under pressure. India has long argued that Kashmir was a bilateral dispute that should be resolved without the involvement of others. But the tests have put the need for a solution under an international spotlight. Pakistan, which spends more than 30 per cent of its non-interest budget outlays on defence, cannot afford a new nuclear arms race. Both leaders know a breakthrough in bilateral relations could help persuade President Bill Clinton to drop sanctions imposed after the tests.

Still they risk producing little more than a piece of extravagant theatre. A loose "no-war pact", favoured by Indian officials, would be hailed in some quarters as the biggest achievement since the Simla accord of 1972. But Simla - a pledge to curb aggression - has never had much impact in practice. More substance is needed if claims of a breakthrough are to be convincing.

Two possible agreements spring to mind. One is the consummation of the deal, currently in preparation, for Pakistan to sell surplus power to its neighbour. The leaders could reach agreement on price and give the go ahead for the connection of the two countries' grids. That would boost the confidence of foreign investors in both countries and be seen as serious evidence of willingness to collaborate.

The other would be to begin serious discussions on how to minimise the role of nuclear weapons as a deterrent. Pakistan says it cannot define its own deployment plans until it knows what India intends. India talks of minimum deterrence, but refuses to define exactly what it means. At some point there has to be more candour if deployment, which regrettably now seems inevitable, is to proceed in an atmosphere of restraint.

The chances of progress in these areas - not to mention the issue of Kashmir itself - look slim. But, for once, the politicians have a chance to wrest the dossier away from their officials who have proved so obstructive in the past. Now is the time for them to seize the opportunity.

Pulling through

The most important task for the Argentine authorities in the wake of Brazil's devaluation has been to distinguish their economy from their troubled neighbour in the eyes of investors. They are doing a good job. Argentina seems set to weather the Brazilian storm, albeit with a sharp slowdown in growth. Moreover, talk of dollarisation is more than just a wheeze to calm investors' nerves.

Brazil's crisis affects Argentina in two main ways. A recession there reduces demand for Argentine exports, while the devaluation makes Brazilian exports much cheaper. Even though exports to Brazil account for only 3 per cent of gross domestic product, this will reduce growth.

The other danger is that of contagion through a drying up of international lending to the region, and punishingly high real interest rates – currently above 10 per cent. This was a major cause of Argentina's deep recession following the 1994 Mexican devaluation.

It is encouraging that Argentina has already been able to access international capital markets, launching a $1bn bond just a month after the Brazilian devaluation. After Mexico, capital market were closed for six months.

However, the government will have to revise its growth forecast of 3 per cent this year. Private sector forecasters project a recession, with output falling by up to 2 per cent. Much depends on what happens next in Brazil.

A recession – in an election year – is the last thing any government needs. But having toughed out the aftermath of the Mexican devaluation, the Argentine the commitment to maintain the currency board must be credible. However, the spread on peso-denominated loans over dollar-denominated loans reflects the residual risk that recession or politics may force the authorities to abandon convertibility.

To eliminate this cost, or to fend off a speculative attack, the government could simply dollarise the economy. Given that a currency board removes monetary autonomy anyway, the major costs would be political.

The economy ministry says that it is seriously considering such a move, and has opened negotiations with the US about how it would work, and how to minimise the costs to the public finances of putting US dollar notes into circulation in place of pesos.

To a certain extent, these talks are designed to demonstrate the government's commitment to the currency board. But they also reflect an economic and political reality. Convertibility is highly popular because it has delivered the economy from its debilitating, hyper-inflationary past. In the event of a crisis, as yet unforeseen, the government will dollarise rather than devalue.

Heavy Metall

There is little positive one can say about yesterday's pay deal in Germany's engineering sector. It should prevent an outright strike, and a copycat stoppage by public sector workers, whose pay claim is also on the table. That would have been damaging to German industry, and embarrassing to the new German government. But an excessively expensive pay deal, which yesterday's regional settlement by engineering workers and employers in wealthy Baden-Württemberg seems to be, may yet prove even more damaging.

IG Metall, the engineering workers' mighty union, says it adds up to a 4.2 per cent rise, although the employers put it at a more modest 3.6 per cent. The difference concerns when and how a one-off 1 per cent bonus will be paid: the base deal is 3.2 per cent across the board. That is now likely to be the benchmark not only for the rest of the German wage round, but also for similar deals throughout the euro-zone. It is well above the German inflation rate, which dropped to 0.9 per cent last year.

The deal would normally be adopted for all Germany's 3.4m metal and engineering workers, although some employers' associations may yet refuse to go along with it. They are adamant that it will hurt their competitiveness, and any hopes of seriously reducing the 4m jobless total. The prosperous motor industry – well represented in Baden-Württemberg – may be able to afford it, but smaller companies, and other engineering sectors, will be badly hit.

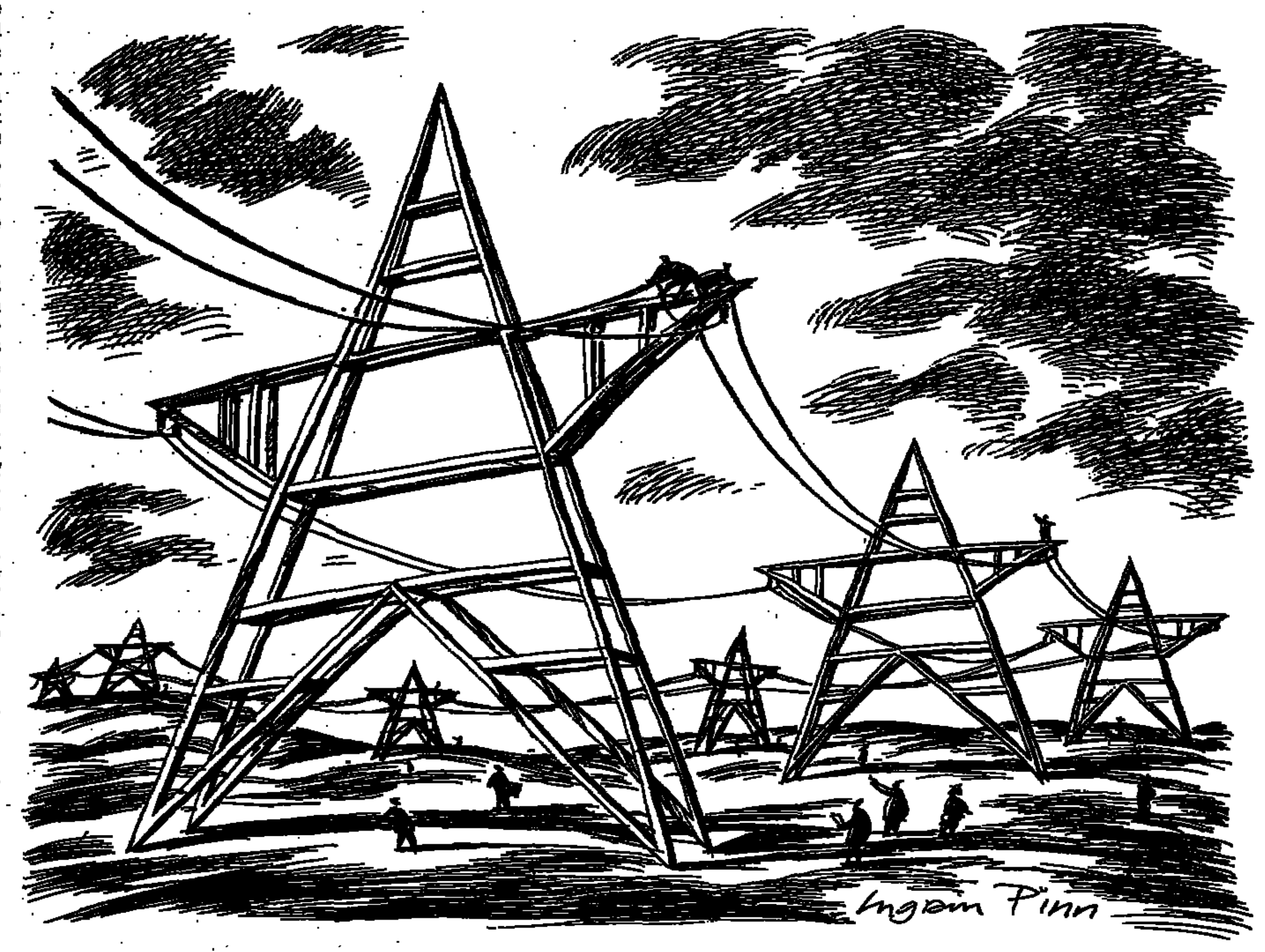
The deal, which was generally expected to be closer to 3 per cent, is likely to discourage any further moves from the European Central Bank to lower interest rates. However it could provide a modest boost to consumer spending, which is what Oskar Lafontaine, Germany's finance minister, is looking for.

What it is likely to do is accelerate the gradual disintegration of the post-war tradition of disciplined collective bargaining in German industry. Companies in east Germany, in particular, will continue to ignore the deal, because they simply cannot afford to pay full western wages. Already last year up to 40 per cent of eastern companies were believed to be paying below the national rates.

It is increasingly apparent that a single pay round for such a diverse sector is absurd. Small and medium-sized companies have been sliding out of it. Bigger firms – like IBM – have set up new subsidiaries outside the framework, and moved most of their workforce into them. IG Metall may find that what looks like a good wage deal for the workers will undermine its position in the long run.

Switching on the competition

Today is the day Europe's electricity markets begin to be liberalised. **Max Wilkinson** and **Andrew Taylor** explain the implications



If you want to hear the heartbeat of a unified Europe, forget about the single currency or the European parliament. Just plug a radio into an electric socket. That background hum you hear is the product of thousands of turbines, all revolving in perfect synch. From Leipzig to Livorno, they form a vast network, almost like a single machine.

But for decades this co-operative international system has not been an engine for pan-European markets and trade. Indeed, those who set up up the system 48 years ago said until quite recently that trading power was technically impossible. Europe's grid, they believed, was suited only for mutual security and for re-enforcing the efficiency of regional power production. Turning such a natural monopoly over to market forces would be crazy.

However, today an European Union directive comes into force that will permit the open trading of power on Europe's grid. Large-scale users will be allowed to shop around for their electricity. Utilities will be required to put their power lines under separate management and to offer fair terms to outsiders for transporting electricity. Markets in Scandinavia, Amsterdam, the UK and elsewhere are already trading (or about to trade) power as if it were an ordinary commodity.

The implications are huge. During the decades of protected monopoly, most European utilities gold-plated their systems and built more power stations than they now need. In Germany, for example, capacity is about 30 per cent above peak demand.

In such a situation, a free market would obviously bring prices down close to the running costs of each plant. In Germany, the cost of keeping a power station on line is around 4 pfennig per kWh. But the price of power to industrial consumers is nearer 14 pfennings per kWh.

Already, larger industrial customers are using the new rules to drive prices down. German utilities are coy about the size of the reductions they are being forced to offer, but they admit that margins are under strong pressure. Most are planning manpower reductions as a result. A recent study by Deutsche Bank suggested that the new regime would bring cuts of 25 per cent for industrial users. In the UK, the electricity utilities have pared costs fiercely since privatisation and reduced prices to industrial customers by 22 per cent to 30 per cent. Throughout Europe, the direction will be the same, particularly in Germany, Austria and Italy, where industrial prices can be 60 per cent higher than in France, which has a surplus of cheap nuclear power.

When you consider that turnover in the European wholesale electricity business is about £200bn ($326bn) a year, the scope for savings is huge.

That, anyway, is the hope. But creating a real market out of the EU directives will be far from easy. The Brussels plan is for a gradual widening of the scope of competition up to 2003, when at least 35 per cent of the market is supposed to be open.

In reality, progress will depend more on the enthusiasm of individual governments, and the effectiveness of the regulatory regimes. At one extreme, the UK among the big countries will be completely deregulated this year. Most domestic consumers will be able to chose an electricity supplier as easily as they might chose a firm to deliver heating oil or groceries.

At the other extreme is France, which fought a prolonged rearguard action against electricity liberalisation, and is likely to implement a very restrictive version of it. However, even Electricité de France, which is venerated as a national institution, is not immune to the virus of market forces. Earlier this month, Usinor, the French steel group, chose to displace EdF as the supplier of electricity to its steel works in Dunkirk. Instead, it has chosen Air Liquide.

The big test of the EU project, however, will be in Germany, which, along with Spain and the Nordic countries, has liberalised much more than the directive requires. In these countries, a completely open market would soon be possible – in theory.

However, even where there is a political will to liberalise, there are at least three big difficulties. The 20-year debate about them in the US suggests that they will not be easy to overcome.

● First, free markets may pose dangers to the integrity of the system.

● Second, governments must decide who should pay the cost of "stranded assets" – plant which seemed a good idea to a closed monopoly, but which becomes redundant in an open market.

● Third, an economically efficient method of charging for use of the wires must be found.

Of these, the challenge to the integrity of the system is now the easiest to deal with, although many power engineers once thought it insuperable. The problem was, and is: how can a pile of contracts ensure that there will always be enough power available when 1m customers turn their kettles on at once?

Since electricity cannot be stored for emergencies, a market failure in such circumstances could result in a catastrophic collapse of the system with widespread blackouts. To avoid this, a central controller must constantly balance the system, like the conductor of an orchestra, calling in power plant or standing it down as demand varies.

In Germany alone there are eight utilities controlling their own grids, all interconnected and linked with other national grids throughout Europe. Could a free market possibly substitute for the engineering skills that now keep it all humming?

The answer provided by the UK's pool (a stylised spot market for power) is a qualified "yes". There is no reason to think the system is in danger of crashing since liberalisation. But UK pool prices have proved to be too high, partly because the generators were able to play games in the market. As a result, the system is to be replaced by more conventional markets – long-term and spot – which will keep the system *approximately* balanced. The grid's job will then be to tweak the operation by calling in extra power, as it is needed.

This is similar to the system that is likely to emerge in Europe. Hard questions remain about sharing the grid's costs, but they are not insuperable.

Second, the allocation of stranded costs must be fair, especially to domestic users. If a utility loses a chunk of its market, as EdF has just done, it will be tempted to make its captive customers pay for any useless spare capacity. In some cases, utilities should be allowed to recover such costs, as the Spanish government has recently proposed for its own industry. After all, it is not the utility's fault that the rules have been changed. But the EU competition authorities will be anxious to ensure that recovery of stranded costs does not turn into a concealed subsidy, or a way of stifling competition, for example by inflating transmission prices for new users.

Spectacular cases in the US have shown the difficulties. For example, a misguided effort to liberalise the market under the Public Utilities Regulatory Policy Act of 1979 left some utilities with long-term obligations to buy power from independent producers at hugely inflated prices. In New York State alone, the unnecessary cost – charged to consumers – is $1bn a year. A partially open market could allow industrial users to defect to a cheaper supplier, thus loading all the excess costs on to householders.

Third, Europe's ideas about transmission pricing are in a complete mess. They must be sorted out quickly if a true electricity market is to have any hope of success.

The problem is simple but the solution is elusive. Suppose a supplier in Hamburg wants to send power to a big business 1,600km away near Rome. It might seem that he should be charged for power losses caused by the heating up of the wires, plus a contribution to capital and maintenance costs. Obvious? Many utilities have thought so

But now suppose that another supplier in Rome wants to send the same amount of power the opposite way to a customer in Hamburg. Clearly, the two flows will cancel out; there would be no extra current in the wires, so no losses and no need to pay a large fee. This is not so obvious. But though the contracts span Europe, the electricity makes only a local journey to the nearest consumer.

But there is another possibility: both contracts might be to carry power from north to south. Then, the combined flow would make the wires very hot and power losses would, by the laws of physics, be not twice but four times what they would have been for each contract on its own. Prices must reflect these very different costs if they are to give consumers and producers an incentive to make contracts that will minimise congestion.

Under the present regime, all contractors would be charged multiple entrance and exit fees through the grids of each utility on the way. This so-called "pancaking" would strangle competition with exorbitant charges – as some existing monopolies fervently desire.

However, a working party of grid operators was convened last month to try to find a better way. This should be based on a system of "nodal" prices – fixed fees for pumping power into any point in the grid – or for taking it out. These fees should be higher in places with abundant power and lower where there is a shortage. They must also be regulated to ensure that grids do not cream off monopoly profits.

To ensure fair play across borders, a Europe-wide regulator will almost certainly be needed, perhaps with some of the powers of the US Federal Energy Regulatory Commission.

But strong regulation alone cannot ensure a flourishing market, as the US has amply shown. To achieve this, the industry must be broken up, separating true monopolies – the grids and local distribution networks with enormous powers to frustrate competition – from the competitive businesses – as happened in, for example, in the UK.

The next stage in continental Europe must be to split these activities into separate companies. But there are big institutional barriers. So that will be another, perhaps very long story.

OBSERVER

Theodoros falls on his sword

The resignation of Greek foreign minister Theodoros Pangalos amid a political furore over his handling of the kidnapping of Kurdish guerrilla leader Abdullah Ocalan won't upset everyone by any means.

His lengthy tirades against Turkey at EU foreign affairs councils, not to mention his embarrassing one-liners, irked many diplomats and European Commission officials.

Most notoriously, his reference to Germany having "a giant's body and a child's brain" didn't impress; neither did his remark about the Turks being allowed to "drag their bloodstained boots across the carpet" in EU capitals go down particularly well.

Pangalos is shouldering the blame for what the Greeks, generally ready to make friends with any enemy of Turkey, saw as Ocalan's betrayal. His unexpected downfall is the heavy price demanded of him after he refused to grant Ocalan political asylum and was trying to distance Greece from the whole affair.

Will Pangalos be missed? The consensus is not much at his ministry, according to career Greek diplomats who weren't especially partial to being on the receiving end of his legendary short fuse. But in chastened mood yesterday, all he could manage was: "At least I never bored you."

Soft cell

The course of justice can take some curious turns in the Philippines. Take the case of Congressman Romeo Jalosjos. The 58-year-old is currently serving two life sentences for molesting children. Despite his incarceration, he was re-elected last March and has kept his job while the sentences are appealed.

But it's the nature of his internment at the new Bilibid prison complex that's raised most eyebrows. Philippine prisons are usually known for their squalid overcrowded conditions. Not so for Jalosjos. He was apparently assigned a complete prison wing, intended for 796 prisoners, and allowed to renovate the place.

Improvements included a tennis court, burger stand, billiards room and two guest houses where he met constituents. His own room included air-conditioning, a bathtub, television and an exercise machine. So after a predictable public outcry, Jalosjos has been moved to a less luxurious prison cell. Anyone for tennis?

Ice cream soap

The odd business glitch doesn't seem to do much harm to the highest fliers at Anglo-Dutch consumer colossus Unilever.

The new Dutch co-chairman Antony Burgmans, head of the group's European ice cream operation for the last five years, has been fighting a valiant but losing battle against regulators convinced it's abusing its market position. Last year, its Irish subsidiary was found guilty of breaking EU law by excluding rivals from the freezer cabinets it supplied to retailers. Now the UK operation is facing its third Monopolies and Mergers Commission investigation in six years, having been pilloried in 1998 over its exclusive distribution system.

Niall Fitzgerald, the other co-chairman, also had a torrid time before being put in charge of Unilever's UK wing. As king of the detergent business, he launched Persil Power, the wonder product withdrawn after tabloids screamed "Monster Suds Ate My Underpants".

Fitzgerald used the debacle to argue that Unilever had to become better at product innovation and handling complex multinational markets. Such brio restored his standing. No doubt Unilever has decided Burgmans, too, is a better man for spending so much time being grilled under a regulatory heat.

Clumsy Krugman

Much schadenfreude among the economists and politicians who've suffered from the acid pen of Paul Krugman, the Massachusetts Institute of Technology economics professor and everyone's shoe-in for a Nobel prize one day.

Krugman's humiliation began with a column last week in internet magazine Slate, in which he alleged billionaire speculator George Soros started buying Brazilian bonds when he discovered one-time adviser Arminio Fraga was negotiating a top job in the Brazilian government. Fraga was later appointed president of the central bank, news which sent the market soaring.

Trouble was, Krugman didn't have a shred of evidence. So with Soros, Fraga and every Brazilian government official denouncing the accusation, he was forced into what, at first, was a grudging retreat. But by Wednesday, he was admitting a serious error and yesterday it had become "one of the worst mistakes of my life". In response, Fraga wrote to Slate saying that "not in my worst nightmares did I imagine my name and the word corruption could be together on the same page."

But there's one encouraging word for Fraga. With many of the big-name US economists loudly criticising the Brazilian government's efforts to stabilise its currency, there's now one high-profile academic who will probably give him the benefit of the doubt.

The Financial Times 50 years ago

'Healthy' U.S. Prices
Washington, Feb. 18.
President Truman's leading economic adviser said today that everything would be all right if people would avoid "getting jittery" over "healthy" price declines. Dr Edwin G. Nourse, chairman of the Council of Economic Advisers, made the statement to reporters at the White House after conferring with the President. He said the country was in a period of "dis-inflation".

He was not alarmed over price declines unless "people get jittery and get out of the market". If the country should "get into the jittery stage", the situation might be "snowballed into a recession".

Banks in Norway
Norwegian banks are not to be nationalised, according to reports of the annual meeting of the Labour party in Oslo, but Government interference with banking operations is to be extended.

A special Labour Committee proposes that steps be taken so that "the Government can influence and control the policy of the banks to a greater extent than hitherto."

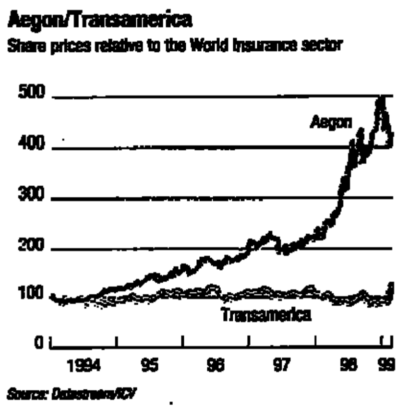
FINANCIAL TIMES

FRIDAY FEBRUARY 19 1999

THE LEX COLUMN

Good on paper

Aegon is the latest European company to take its high-flying shares and go shopping in the US. Euro-mania and consolidation hopes have driven up European insurance stocks. Aegon, with its great record – a total shareholder return of 36 per cent a year over the past decade – is at the top of the heap. Its shares trade on over 30 times earnings and four times book value. That means it can offer $9.7bn for Transamerica, a chunky 35 per cent premium, and still be paying only 19 times earnings or twice book value, unlikely to cause its shareholders jitters. Transamerica investors, by contrast, might look askance at receiving lavishly-rated Dutch paper. But given their group's indifferent past performance, they will probably just happily pocket the premium.



Of course there is business sense to the transaction. Aegon already has a substantial US operation, so the two can pad out each other's product lines and distribution networks, save $150m and make better use of Transamerica's brand. But this is basically a combination of two second-tier US life insurers, which even together will remain relatively weak in faster-growing areas like equity-linked savings products.

All in all, this deal seems driven more by financial engineering than industrial logic. The suspicion is that Aegon would really rather have bought in Europe, but found the prices too high.

Gucci/LVMH

Big swinging handbags! By swallowing a juicy poison pill, Gucci has put a stop to LVMH's creeping control. A Gucci employee trust, by exercising freshly-granted options on 25 per cent of Gucci's expanded share capital, has effectively diluted LVMH's voting power, but not economic rights, from 34 per cent to the same 25 per cent level. If LVMH raises its stake, the trust will exercise more options to maintain voting parity.

Voting control of the revived fashion house will thus rest with the remaining shareholders. Gucci management claims LVMH's plans to put its own men on the Gucci board are tantamount to a no-premium takeover. Assuming other investors agree, LVMH will be stuck as a large and angry minority shareholder. One consolation would be that Gucci would retain the services of Tom Ford, its sensitive chief designer, and Domenico de Sole, chief executive. Both might leave if LVMH gains control.

In the absence of an offer for all of its shares, this unsatisfactory stand-off is the least bad outcome for Gucci shareholders. The only economic impact of the poison pill on existing shareholders will be if LVMH walks away and the bid premium drops out of Gucci shares, which have outperformed the Dutch index by over 50 per cent in the last three months. Since LVMH is being actively encouraged to make a proper offer, this should not happen. But this mess shows the need for a proper Dutch takeover code.

Carrefour

It must have been relief that sent Carrefour's shares soaring. The retailer's results were decent enough. But the market was more excited by the company's scary worst-case scenario for Latin America. There is nothing like setting a floor under expectations – not to be confused with a profits warning of course – to soothe market fears. And full credit to Carrefour for doing just this. It reckons that even if profits collapse in Brazil and Argentina – two big markets – by 50 per cent and 25 per cent respectively, the group should still push up earnings before interest and tax by 20 per cent this year.

Some caution is needed. The figure will include Carrefour's latest acquisition, Comptoirs Modernes. Organic growth should still be "double digit", which may mean closer to 10 per cent – compared with 16.4 per cent for 1998. That, though, is still respectable.

Latin America aside, investors have plenty to be bullish about. France, Carrefour's safe home market – courtesy of restrictive planning laws – is throwing off cash which is being ploughed into investments abroad, notably Asia. Carrefour's knack of spotting markets early and its merchandising skills are impressive. But the company is also improving its weaker areas, logistics and supply-chain management, which contributed to better margins. The shares underperformed the French market last year, but yesterday's results should lay some ghosts to rest.

Glaxo Wellcome

What a relief. Glaxo held annual sales at £8bn, despite losing £800m from patent-expired Zantac, and lifted underlying earnings per share. It needed a couple of twists to do this, from capitalising software spending and extra sales ahead of a price increase. Were Glaxo in an out-of-favour sector, this sort of thing – and the emphasis on constant exchange rates – would be called smoke and mirrors.

A year ago Glaxo might have hidden its awkward transition behind a merger with SmithKline Beecham. In fact, the post-Zantac story is convincing. The rate of drug releases demonstrates improved research and development productivity. But does this justify a price/earnings ratio of 36 times forecast 1999 earnings? Few question Glaxo's ability to produce double digit sales growth for the next few years. But maintaining 33 per cent operating profit margins will be hard. A diversified portfolio is more expensive than one dependent on a few blockbusters. And any skimping on research and development or marketing risks sacrificing longer term growth.

The current rating suggests Glaxo can grow at twice the UK market average for at least a dozen years. This is not implausible because of pent-up demand for treatment and Glaxo's new freedom from patent expiries. That it allows little for risks – such as US drugs spending slowing – is common to the sector. Glaxo's rating should continue to match all but the zippiest US stocks.

MOVE TOWARDS GREATER HARMONISATION OF FINANCIAL REPORTING STANDARDS

Brussels urges changes to EU companies' accounting

By Jim Kelly, Accountancy Correspondent

Far-reaching changes in the reporting methods for listed companies in the European Union are being urged by the European Commission.

The proposals would require companies to switch to "Anglo Saxon-style" transparent accounts that use international financial reporting standards.

The plans mark a big step towards creating a single market for investors, but could trigger opposition from countries worried about excessive Brussels-driven harmonisation.

Under the plans, companies in member states such as Germany would switch from traditional tax-based accounts to much more open consolidated accounts.

In the UK, companies would see earnings depressed because they would be required to make full provision for deferred tax.

The Commission's plans were discussed last month at the first meeting of the Financial Services Policy Group – set up to speed moves to create a single market in financial services within the EU.

Any decision to move to harmonised accounting standards across the EU would require the backing of EU finance ministers, but experience in other areas – notably taxation – show that pressures for harmonisation are growing.

"It's all happening very quickly and it is being driven by the introduction of the euro," said one international regulator.

The Commission's preference for companies to be "obliged" to follow international standards raises the possibility that an EU institution might be given the role of policing a financial reporting regime for all member states.

A European Accounting Standards Board may also be established soon.

It also raises the possibility of a single financial reporting regime for the euro zone. This could involve the UK losing its independent rules, at least for listed companies if it signed up to monetary union. Companies listed in France and Germany already have the option of using international standards. The UK's position is unique because it helps to write international standards, but requires companies to follow its own rules.

The UK's Accounting Standards Board has tried to march in step with international standards but has opted out of those rules that it thinks are sub-standard.

The Commission's views show support for the International Accounting Standards Committee, led by Sir Bryan Carsberg, which writes international standards and which this year will seek the endorsement of leading stock markets.

Brussels wants international standards for companies "whose equity or debt instruments are publicly traded". EU directives would continue to govern those companies that do not trade publicly.

European companies will hope that a compromise may be found in the medium term.

Greek ministers resign amid political crisis over Ocalan

By Kerin Hope in Athens and Leyla Boulton in Ankara

Theodoros Pangalos, Greece's foreign minister, resigned yesterday as the country's Socialist government tried desperately to avert a political crisis over Turkey's capture of Abdullah Ocalan, leader of the PKK, the Kurdish guerrilla movement.

Bülent Ecevit, the Turkish prime minister, whose political prospects have been buoyed by Mr Ocalan's capture, said Greece had got what it deserved. "Greece is paying the price for its support of the PKK. Whenever a state has tried to interfere in Turkey's domestic affairs it has faced problems at home."

Mr Ocalan was seized in Kenya on Monday after leaving the Greek embassy in Nairobi. He was put on a flight to Turkey.

More than 70 Kurds ended a three-day sit-in at the Greek embassy in London peacefully yesterday. But in Germany, fire-bombings continued for a second night against Turkish targets. The killing by Israeli guards of three Kurds who tried to storm the Israeli consulate in Berlin on Wednesday prompted petrol bomb attacks on Turkish offices.

The departure of Mr Pangalos, a close confidant of Costas Simitis, the Greek prime minister and a prominent Socialist moderniser, marked a concession to the party's hard left faction, the most vociferous critic of the foreign minister's actions.

Two other cabinet ministers also stood down. Alex Papadopoulos, interior minister, and Philippos Petsalnikos, public order minister, took responsibility for Greek security and intelligence agents' involvement in harbouring Mr Ocalan briefly in Greece and arranging his flight to Kenya. Both denied accusations that Greece colluded in his capture.

Mr Simitis promoted George Papandreou, deputy foreign minister and American-born son of the late Socialist patriarch, Andreas Papandreou, to the post of foreign minister.

It was not clear whether the resignations would be enough to deflect criticism of Mr Simitis. Socialist deputies and party members called for an immediate party caucus. Officials said Mr Simitis was considering a broader cabinet reshuffle ahead of next month's party congress.

In Turkey, Mr Ecevit continued to reap the rewards of the Ocalan affair before elections in April. The last similar boost to his domestic popularity was in 1974 when he ordered Turkish troops into Cyprus.

Separately, Kenya's government yesterday removed its top immigration official, hours after he reportedly contradicted the foreign minister by saying Kenya played a key role in Mr Ocalan's capture. He later denied making the statement.

Turkey targets PKK, Page 2
Kenya cabinet reshuffle, Page 4

CONTENTS

FT.com
FINANCIAL TIMES

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com
The Global Archive: an easy-to-use business library of over 3.5 million articles from the FT and from thousands of other leading newspapers and business publications.
http://www.FT.com/globarchive
Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm
FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/222e.htm
FT Group: directory
http://www.ft.com/about/family.htm
Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2176.htm
Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2368.htm

Northern Ireland first minister David Trimble, left, meets Philip Lader, right, US ambassador to the UK, and Michael Sullivan, Washington's envoy to Dublin, second from right. Report, Page 11 Picture:PA

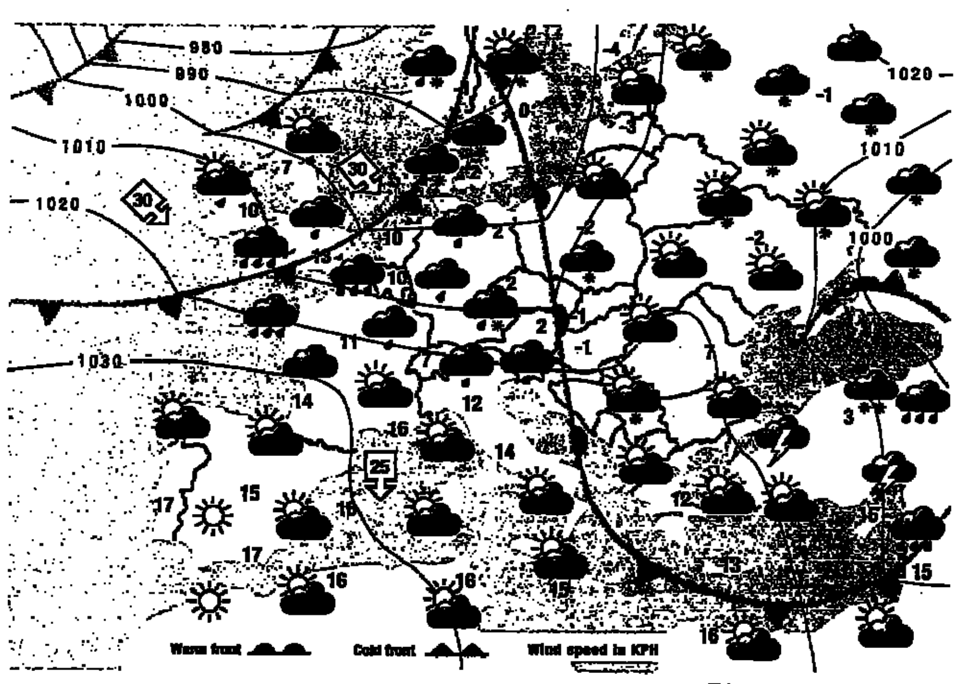
FT WEATHER GUIDE

Europe today

Northern Scandinavia will be very cold with snow showers. Southern Scandinavia will have a more prolonged fall of snow, with sleet in Denmark and near western coasts. The Low Countries and northern France will be mild but cloudy with heavy rain. Germany and Austria will have snow at first, but this will turn to rain as a warm front moves eastwards. Switzerland will be wet, with fresh snow over the Alps. The Mediterranean will be mostly dry with sunshine but there will be thundery downpours in the far east.

Five-day forecast

Scandinavia will have more snow over the weekend with rain in the far south. Central, western Europe and Mediterranean will also have rain this weekend. Spain will stay dry and sunny away from the north.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES (Maximum Celsius)

City	Weather	°C
Abu Dhabi	Sun	28
Accra	Fair	32
Algiers	Fair	16
Amsterdam	Shower	10
Athens	Sun	12
Atlanta	Sun	16
B. Aires	Fair	32
B.ham	Shower	12
Bangkok	Sun	34
Barcelona	Sun	15
Beijing	Sun	4
Belfast	Shower	8
Belgrade	Cloudy	4
Berlin	Sleet	2
Bermuda	Fair	22
Bogota	Shower	20
Bombay	Fair	33
Brussels	Rain	10
Budapest	Fair	-1
C.hagen	Sleet	2
Cairo	Cloudy	18
Caracas	Sun	28
Cardiff	Shower	11
Casablanca	Sun	17
Chicago	Snow	-1
Cologne	Rain	9
Dakar	Sun	23
Dallas	Sun	23
Delhi	Sun	27
Dubai	Sun	28
Dublin	Shower	10
Dubrovnik	Sun	11
Edinburgh	Shower	8
Faro	Sun	18
Frankfurt	Rain	7
Geneva	Rain	7
Gibraltar	Sun	18
Glasgow	Shower	7
Hamburg	Rain	5
Helsinki	Fair	-4
Hong Kong	Fair	18
Honolulu	Fair	27
Istanbul	Sleet	3
Jakarta	Thunder	30
Jersey	Rain	12
Johannesburg	Thunder	28
Karachi	Sun	29
Kuwait	Fair	28
L. Angeles	Sun	20
Las Palmas	Sun	20
Lima	Cloudy	28
Lisbon	Sun	17
London	Rain	13
Lux.bourg	Rain	6
Lyon	Rain	8
Madeira	Fair	17
Madrid	Sun	15
Majorca	Sun	16
Malta	Shower	15
Manchester	Shower	10
Manila	Thunder	31
Melbourne	Sun	23
Mexico City	Sun	24
Miami	Shower	26
Milan	Fair	12
Montreal	Cloudy	-3
Moscow	Snow	-1
Munich	Rain	5
Nairobi	Fair	28
Naples	Fair	14
Nassau	Shower	27
New York	Fair	5
Nice	Fair	15
Nicosia	Fair	15
Oslo	Snow	-1
Paris	Rain	11
Perth	Fair	30
Prague	Rain	2
Rangoon	Fair	35
Reykjavik	Snow	-6
Rio	Fair	31
Rome	Fair	14
S. Frsco	Fair	14
Seoul	Cloudy	1
Singapore	Fair	31
Stockholm	Snow	0
Strasbourg	Rain	7
Sydney	Fair	25
Tangier	Sun	17
Tel Aviv	Rain	15
Tokyo	Shower	10
Toronto	Fair	-3
Vancouver	Shower	8
Venice	Fair	8
Vienna	Sleet	2
Warsaw	Snow	-2
Washington	Fair	5
Wellington	Fair	22
Winnipeg	Sun	-8
Zurich	Rain	6

RECRUITMENT

RICHARD DONKIN

Motivation philosophy

A new report has described motivation of staff as the 'missing link' on pay strategies

How important is pay in motivating people to work? According to a new report from the Economist Intelligence Unit, *Motivating and Rewarding Managers*, a philosophy of motivation is the "big missing link" in the pay strategies of human resources specialists.

Few companies questioned had thought about what motivated their employees. Many are daunted by academic theory on motivation, says the report, and rely on simple pay formulas in the hope they will coincide with whatever motivates their staff.

Some companies featured in the report, however, are looking more deeply at motivation. Microsoft, using employee surveys and focus groups among existing and former employees, found that enthusiasm for their work was the most important motivational factor.

A common complaint among people who had left was that the quality of colleagues at their new company was poorer. Belief in the business strategy and strength of the Microsoft stock programme were other strong forms of motivation.

On the downside, the company has highlighted a number of pressures influencing the decisions of people to leave. One is burn-out due to the pace and level of intellectual competition, another is a desire to improve the balance of work and domestic life. An increasing concern of employees is the rising level of bureaucracy associated with the company becoming more structured and process-oriented.

Hewlett-Packard appears to be banking on the belief that money is not a prime motivator. After poor earnings in 1998 it asked its 2,600 most senior employees to take a 5 per cent pay cut.

The decision may help to increase motivation across the workforce in that the company's top earners can be seen to be bearing the brunt of the pain.

At Guinness, too, there was an admission from a human resources executive that the performance bonuses for senior managers was not an incentive in terms of making anyone work harder. He looked upon such bonuses as a way of "communicating priorities" for the business.

The report concludes that different professional groups respond to different pay strategies. The government is about to learn this when it attempts to introduce performance-related pay in teaching.

Sometimes the age of employees can make a difference. Young managers, says the report, tend to be more interested in cash, whereas their older colleagues are interested in pensions and retirement options.

One way of discovering what people value is to ask them. When Marks & Spencer did this in Hong Kong it found that employees wanted share options. They were also interested in training and broadening their education. The company responded by introducing an education sponsorship scheme, paying 70 per cent of fees for courses such as MBAs.

The report includes a broad range of case studies and analysis in the "who's doing what" mould. My only irritation was a reference to a wider form of 360 degree appraisal. It calls this broader appraisal, which includes input from customers and suppliers in addition to appraisal by superiors, peers and subordinates, "540 degree appraisal". This is meaningless. Why can't human resources people talk about "all-round appraisal" and leave it at that?

Motivating and Rewarding Managers is published by the EIU, price £295, tel + 44 171 830 1007, e-mail: London@eiu.com.

Tough love

The rise and rise of Daniel Goleman, author of *Emotional Intelligence* and the subsequent management-oriented *Working With Emotional Intelligence* has been quite spectacular.

His latest coup is a "strategic partnership" with the Hay Group. The exclusive relationship covers both Mr Goleman and Richard Boyatzis, an associate dean at Case Western Reserve management school. The deal means that Mr Goleman and Mr Boyatzis have agreed to supply Hay with consultation, development, training and marketing assistance. Most importantly it means that their names can not be used in marketing by anyone else.

The deal makes sense since both men have enjoyed a long association with Hay through Hay/McBer, a business based on the work of the late David McClelland, the founder of the competency movement. Hay provided much of the groundwork research, data and analysis which Mr Goleman used in his books.

What a pity for Hay then, that there is no patent on the phrase "emotional intelligence". No sooner had Hay been explaining its development of a new test for emotional intelligence or

There are tests for everything, including one to discover whether you are an alien

"EQ", than I discovered that two directors at Henley Management Centre in the UK were working on their own test.

Victor Dulewicz, head of HRM and organisational behaviour at the Centre for Board Effectiveness, Henley Management College, and Malcolm Higgs, a client director at Henley, devised the test after first looking for evidence of emotional intelligence in a seven-year follow-up study on a group of 100 managers. Assertiveness, organising ability and controlling and managing staff were evident, but there was also evidence of traits associated with emotions, such as interpersonal sensitivity.

Mr Higgs describes this combination of hard and soft traits as "tough love", a more graphic illustration than you usually get from psychologists. The research, say Mr Dulewicz and Mr Higgs, confirms the role of emotional intelligence in management success. They have also devised a test, for use in developing emotional intelligence in managers.

Emotional intelligence tests are not new. There are several to be found on the internet but few, if any, appear to have been created with the rigour applied by the Henley team. One internet test, for example, begins with the question: "When I feel crappy, I don't know what or who is upsetting me," followed by some tick boxes.

In fact there are tests for just about everything on the internet, including such gems as The Daily Star Trek Test, The Nerd Test, a test to discover whether you are an alien and my personal favourite: "Are you insane?".

There were sceptics who dismissed emotional intelligence as nothing more than a marketing concept. There may be something in this, but the Hay initiative and the Henley test research have demonstrated the way academics can develop successful partnerships with business. They also confirm that this particular brand of psychometric alchemy is a goal worth pursuing. After all, it is difficult to sell what you cannot measure.

richard.donkin@ft.com

WORKING BRIEFS

Companies look increasingly to executive share option schemes

Share option schemes appear to be winning the battle for popularity over long-term incentive plans (LTIPs) as a means of creating a share incentive for executives, according to research among newly floated UK companies carried out by New Bridge Street Consultants.

The study found that 40 of the 42 companies floated in 1998 adopted executive share option schemes, while eight companies had an alternative LTIP.

Performance conditions are getting tougher. All but one of the companies granting options at the time of flotation imposed performance conditions. The most common condition was to require the company's earnings per share growth to exceed inflation by an average of 3 per cent a year over three years.

Some 90 per cent of the companies had a notice period for directors' contracts of 12 months or less and a quarter had notice periods of six months – a sign that companies are responding to the Greenbury committee recommendations for shorter service contracts. The report is free.

Contact Mark Anderson: + 44 171-282 3030

Sharper focus on leadership

The Centre for Tomorrow's Company has underlined its reputation for providing concise information in demanding areas of business management with a new report on leadership.

More research on leadership may be the last thing companies feel they need, given that there is so much literature already on the market, but this is where the new report, by Philip Sadler, chairman of the centre's research committee, *is most useful.*

It highlights the different strands of research and theory, summarises the most important findings and ideas and suggests ways that companies may pursue their own leadership development programme.

At £25 ($40.75), the report, *Leadership in Tomorrow's Company*, is more costly than many hardback books but its brevity and focus is an advantage. Anyone struggling to grasp the evolution of leadership theory will have a much clearer picture after reading this analysis.

Contact + 44 171 625 7373

BANKING FINANCE & GENERAL APPOINTMENTS

Excellent package ICI *The Netherlands*

VP Finance

Quest International forms part of ICI, a world leader in specialty chemicals. Quest is the premier worldwide manufacturer of food, flavours and fragrances with sales of more than US$1,000 million. It operates in 42 countries with 29 manufacturing facilities and employs 4,300 people. An outstanding opportunity exists for a top-flight finance professional in the rapidly expanding and successful global Food Division with sales in excess of US$600 million. ICI offers excellent career possibilities for the right candidate.

THE ROLE

- As member of the Executive Team contribute to strategic review of operations to achieve substantial efficiency gains and to develop opportunities in a competitive industry.
- Manage the financial performance of the division, drive financial analysis, review and forecasting to provide management with focused and transparent information.
- Advance the implementation of a new management reporting system and provide a full comprehensive financial service to the Division.

THE QUALIFICATIONS

- 10-15 years' successful financial and professional track record in one or more rapidly evolving, international customer-driven companies; ideally will have expatriate experience.
- Clear ability to quickly grasp the essentials in complex situations and develop innovative solutions.
- Robust personality with excellent leadership and communication skills who flourishes in a 'hands-on' team environment. Dutch national preferred. Fluent in English and other European languages (including Dutch).

Fax: +31 20 3057337
Email: espoor@spencerstuart.com

Selector Europe
Spencer Stuart

Please send your cv (including photo and salary indication) to: Selector Europe, Ref. 1307-01, Gabriël Metsustraat 9, 1071 DZ Amsterdam, The Netherlands

Package to attract the very best *Major Global Asset Manager* *Germany*

Head of International Institutional Business Development

Our client, headquartered in Germany, is among the world's largest asset management firms. The organisation is aggressively expanding its institutional and retail businesses. It is seeking to leverage further existing distribution channels including via its global alliance of operating subsidiaries, joint ventures and affiliates. This represents a unique opportunity for an experienced marketing professional excited about building the firm.

THE ROLE

- Reports to the Chief Executive Officer and is responsible for defining and implementing the institutional business development strategy outside Germany.
- Work with the firm's extensive international network of subsidiaries, joint ventures and affiliates, to promote asset management capabilities among target institutions.
- Responsible for reinforcing the firm's important relationships with pension consultants throughout Europe.

THE QUALIFICATIONS

- Extensive knowledge of institutional asset management with proven experience in a mainstream firm. Fluent in English, and French or Italian.
- Talented communicator with a proven sales track record. Able to build strong and enduring relationships among a sophisticated financial audience.
- Intellectual stature and credibility to influence at the top level both externally and internally. Integrity, enthusiasm and commitment are essential.

Tel: +49 69 610 927 76
Fax: +49 69 610 927 60
Email: cspaeth@spencerstuart.com

Selector Europe
Spencer Stuart

Please reply with full details to: Yvonne Ramm, Spencer Stuart, Schaumainkai 69, 60596 Frankfurt, Germany

Risk Manager

Germany Excellent Package

GE Capital Services is one of the world's largest and most diversified financial services companies. A group of 30 highly focused niche businesses, 26 based in Europe. With more than 60 years' experience, one of the strongest capital positions worldwide and AAA credit rating, we provide powerful value added services in equipment management, mid-market finance, specialised finance, insurance and fleet financing.

Fleet Services is a leading fleet financing and cost management company with more than 900,000 cars and trucks under lease and service management globally. The European operation started in 1992 with the acquisition of Avis Fleet Services, and now has offices throughout Europe, as well as North America, Australia and Japan.

Constantly seeking growth and added value, Avis Fleet Services is seeking to employ a Risk Manager who will be responsible for the management of the credit underwriting process, the collection process, the establishing of risk systems and the monitoring and reporting for European Headquarters in Brussels and the parent company in the United States. The candidate must be comfortable taking the business forward as a project manager, initiating quality internal projects and representing the German company on Pan-European issues. Preference will be shown to those with experience of asset risk management.

Suitable candidates will have a high level of self motivation, with an international mind set and the confidence to work within this driven group. Educated to degree level with spoken English and German, individuals must demonstrate a minimum of 5 years' relevant experience of risk management, ideally in the leasing business, combined with strong analytical and communication skills.

GE's commitment to personal growth provides a constant process of development tailored to individual needs. This position offers an exceptional opportunity for a talented and ambitious individual to develop an international career within GE's global environment.

Interested applicants should post, fax or e-mail their CV to Simon Connor-Muir at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Fax: (+44) 171 915 8714. E-mail: simon.connor-muir@robertwalters.com

For more information please call (+44) 171 915 8851.

USA*

GE Capital Avis Fleet Services

An equal opportunity employer

**Trademark of General Electric Company, U.S.A., which is not connected with the English company of a similar name.*

PROJECT FINANCE DIRECTOR

- The company is one of the major UK utilities and has developed a truly international operation, working alongside local municipalities developing and implementing *privitisation contracts. Its portfolio of global joint ventures and partnerships reflects the* company's extensive experience and success in long-term operations and maintenance contracts, BOOT projects and concession contracts.
- Reporting to the Managing Director, the Project Finance Director will be responsible for providing an understanding of the business issues revolving around the structuring of equity investments; due diligence for acquisitions; the structuring of finance deals and the ability to provide a balanced view on the issues and risks the company faces in new and developing markets.
- Leading and working alongside a small, yet high profile team, the Project Finance Director will liaise with professional advisors, merchant banks and a broad cross section of corporate personnel, necessitating an extremely high level of communication skills and commercial awareness.
- The successful candidate will have a minimum of five years' experience in both developing and delivering major projects either as an advisor/arranger within a bank or a project finance manager from a contractor, with ideally experience in the infrastructure sector.
- ***Please send your CV, quoting current remuneration and ref. 7024 to: Keith Tracy, Theaker Monro & Newman, Wrens Court, 46 South Parade, Sutton Coldfield, West Midlands, B72 1QY (tel. 0121 355 8868 / email: Lbullingham@intersearch.org). All replies will be handled in strict confidence.***

BIRMINGHAM • CHESTER • LEEDS • LONDON • MANCHESTER
& 109 OFFICES WORLDWIDE

International Utility

Northern Home Counties

In excess of £60,000, Car, Bonus

THEAKER MONRO NEWMAN

InterSearch

CJA RECRUITMENT CONSULTANTS GROUP
2 London Wall Buildings, London Wall, London EC2M 5UX
Tel: 0171-588 3588 or 0171-588 3576
Fax: 0171-256 8501 E mail: cjagroup@online.rednet.co.uk

Genuine opportunity to establish the London end of a highly profitable Convertibles desk already thriving in Paris.

EUROPEAN CONVERTIBLE SALES

CITY OF LONDON **£50,000 - £70,000 PLUS EXCELLENT PACKAGE**

MAJOR EUROPEAN COMMERCIAL BANK

Our client is a major European name which has rapidly built its Paris operation in European Convertible Sales. We invite applications from candidates who must have had at least two years' European Convertible Bond Sales experience in London. You should have an established and loyal client base and be in a position to bring some of this business with you. European language skills will be useful, particularly French. Reporting to the Head of Convertibles in London, you will take a leading role in establishing a presence in Convertibles in London. You will be responsible for regular liaison, both over the telephone and face to face, on products and pricing, with a view to driving forward a really effective desk in London where the market is open and ripe for development. Essential qualities are high energy levels, self-motivation, enthusiasm and initiative.

Applications in strict confidence, quoting reference ECS8049/FT will be forwarded to our client in the first instance. If there are companies to whom you do not wish your application to be sent, these should be listed in a covering letter addressed to the Security Manager, CJRA.

CJRA

Leading recruitment globally

DIRECTOR OF FINANCE

PACIFIC RIM COAL MARKETS

Sydney, Australia

Enron, one of the world's largest integrated natural gas and electricity companies, with approximately $23 billion in assets leads the energy industry in coal trading, gas transmission and the marketing of natural gas and electricity.

Enron Capital and Trade Resources Corp. (ECT), a subsidiary of Enron Corp., structures transactions to help customers maximize capitalization possibilities and manage financial risk. ECT specializes in customized solutions tailored to each customer's capital needs in an ever-changing marketplace. We offer our financial acumen to countries and corporations worldwide. Since 1991, Enron has committed nearly $3.5 billion to serve the financing needs of the energy industry.

Successful candidates will possess a minimum of 5+ years of experience in providing a full range of financial and risk management products to coal producers and coal users. Must possess an in-depth knowledge of capital markets and their applicability to corporate and project financing. Broad-based financial experience will have been gained through those financial institutions which serve the coal mining and end-user markets. Excellent academic credentials, with an MBA or equivalent experience is required. This Sydney based position will require extensive travel.

If you're a results oriented, market-driven individual, who is eager to join the Company known for creating innovative and efficient energy solutions for growing economies and better environments worldwide, we invite you to submit your Curriculum Vitae and salary history via fax to: Enron Capital and Trade Resources Staffing, S.C. Haynes, 713-646-3043 or e-mail to shaynes@ect.enron.com. Please refer to job code 55738 upon submitting your CV.

Our Company subscribes to a smoke/drug free environment. As an Equal Opportunity/Affirmative Action Employer, we are committed to diversity in our workplace. M/F/D/V

VISIT OUR ENRON WEBSITE
@ www.enron.com

ENRON Natural gas. Electricity. Endless possibilities.™

employees@ your.fingertips

IT Appointments in the FT.

For more information on advertising opportunities please call:
Tel: +44 171 873 3351 Fax: +44 171 873 4331

Cash Bond/Interest Rate Derivative Products Broker

Fluency in Japanese essential

An opportunity has arisen at GNI Ltd, the derivatives broking arm of Gerrard Group plc, for a broker who has 1-2 years' experience and is SFA qualified. The position, which entails working in a broking team servicing a global Japanese client base, demands energy and motivation, and the capacity to build our business in this area.

Fluent written and spoken Japanese is essential.

If you feel that you are of the right calibre and would like to apply, please send your C.V. to the Personnel Department, GNI Ltd., Cannon Bridge, 25 Dowgate Hill, London EC4R 2GN (or e-mail to janet.harvey@gni.co.uk) to arrive no later than 17th March 1999. A competitive salary, commensurate with age and experience, will be offered.

GNI Ltd is regulated by the Securities and Futures Authority and is a member of the London Stock Exchange.

GNI

Project Finance

Assistant Director

Excellent base & bonus
London

High profile role for an exceptional lending banker in a prominent bank with strong deal flow.

The company is a large, top rated, highly profitable bank with a long term commitment to, appetite for, and competitive advantage in project lending.

The role is to identify, win and close both lead arranging mandates and participations in PFI, energy, transport and water across the UK and Continental Europe.

You will need an outstanding academic profile and at least five years' experience of leading project finance transactions in a top class arranging bank.

Please write, in confidence, with full CV to **Criterion Search,** 50 Regent Street, London W1R 6LP, quoting ref: 3058. **Tel:** + 44 171 470 7212. **Fax:** + 44 171 470 7171.

CRITERION SEARCH

Situations vacant.

Banking & Finance Appointments in the FT. Includes Managing Directors, Chief Executives, Analysts and Actuaries

For more information on advertising opportunities please call:
Tel: +44 171 873 4153 Fax: +44 171 873 4331

هكذا من الأصل

ING BARINGS

Outstanding Opportunities in European Corporate Finance

London – Up to 8 years experience

ING Barings provides integrated corporate and investment banking services globally and is noted for its strength in corporate finance, lending, debt and equity capital markets, research and sales and trading of a wide range of financial instruments. As part of ING Group, one of the world's largest and most successful financial institutions, ING Barings is committed to expanding its business by attracting and developing the very best people.

Over the last two years, ING Barings, through its global Corporate and Institutional Finance business, has advised on over US$50bn of M&A transactions and raised in excess of US$300bn from capital markets. Due to increasing business volumes we are now seeking a number of talented and highly motivated individuals to join our European Corporate and Institutional Finance business.

Candidates will be:

- recently qualified ACAs or Lawyers from major firms, or
- recent MBA graduates from leading business schools, or
- graduate entrants into competitor institutions or strategy consulting firms, with 2-3 years' experience.

At more experienced levels we seek:

- individuals with one of the above qualifications or backgrounds and an additional 2-5 years' transaction experience gained in a competitor institution.

Applications are also invited from individuals working within the analytical or strategic functions of 'Blue Chip'/Multinational companies with emphasis on the following sectors: telecommunications, financial services, utilities, media, technology, life sciences and transport and logistics.

All applicants should exhibit strong interpersonal skills, academic excellence, commercial acumen and an entrepreneurial spirit. For certain roles fluency in additional European languages and a willingness to travel will be advantageous. Successful candidates will join a meritocratic, team-orientated environment, committed to individual development and long-term career planning.

Applicants should forward a CV to Guy Townsend or Simon Hegarty at Walker Hamill Executive Selection quoting reference GT4700A. Alternatively, immediate enquiries may be made to Guy Townsend on 0171 839 4444, or via e-mail: gtownsend@walker-hamill.co.uk

All direct responses will be forwarded to Walker Hamill

WALKER HAMILL

ING Barings is the organisation and trade name used by ING Bank N.V. and certain of its subsidiaries for the conduct of its corporate and investment banking business.

With over 100 companies, 1000 branches and 40.000 employees worldwide, the Schindler Group is a global leader in the manufacture, maintenance and modernization of elevators and escalators. Meanwhile we have grown to an enterprise exceeding 4.5 billion dollars. In our attempt to further strengthen and develop our leading global position we are looking for a

Head of Mergers and Acquisitions

Located in our Headquarters in Switzerland, between Zug and Lucerne, you will initiate, *coordinate and handle all major acquisition* projects of the Group.

Depending on the geographical location of the targeted acquisition you will lead ad-hoc teams consisting of senior managers from the respective Field Operations, the Corporate Tax and Legal Team, as well as the Corporate Area Controlling.

You will be reporting directly to a member of the executive committee of the board of directors.

As a candidate for this demanding and challenging position you probably have either a university degree in law combined with strong financial *knowledge or a financial degree. In any event you* possess outstanding negotiation skills and you have had the opportunity to prove your talent and to close some cross-cultural acquisitions in an international company or as an M & A specialist in a bank.

If you are attracted by this position please send your detailed application including an indication of your current total annual compensation package and a photograph to:

Schindler Management Ltd
Attention Dr. Rudolph W. Fischer
Head Corporate Human Resources
Zugerstrasse 13
CH-6031 Ebikon

Schindler
The Elevator and Escalator Company

REGIONAL FINANCE AND PROGRAMME SERVICES MANAGER

Oxfam GB's mission is to work with others to overcome poverty and suffering. Through changes to our global strategy, ways of working and international management structure, we are committed to strengthening our impact across the globe.

Newly designated Regional Management Centres in Asia, Africa and Latin America will require senior management teams able to lead them forward strategically. The management teams will assume full responsibility for Oxfam's programme management and delivery, drawing together diverse programmes across a wide range of operations into a unified approach.

The post of Regional Finance & Programme Services Manager forms part of the management team in each of our eight centres worldwide together with the *Regional Director and the Regional Programme Manager.*

You will require the breadth of experience in the related areas necessary to lead those functions within the Region. You will, therefore, bring a proven track record in strategic financial management, human resource management and information systems and technology and apply this expertise to raise the quality of Oxfam's programme of work.

Positions at this level require a sound commitment to Oxfam's values, in particular the organisation's humanitarian and development mandate. Oxfam is promoting diversity within the senior tiers of its management structure and would positively welcome applications from women and under - represented groups.

A package commensurate with Oxfam's status as a charity and the demands of this challenging role is offered.

For further details please write to:

International Human Resources, Oxfam, 274 Banbury Road, Oxford OX2 7DZ or e-mail: ihrapps@oxfam.org.uk For further information about Oxfam visit our website at http://www.oxfam.org.uk/

Closing date for an application pack: Friday 12 March 1999

Closing date for applications: (Noon - GMT) Wednesday 17 March 1999.

Shortlisted applicants will be required to attend an assessment centre which will take place w/c 12 or 19 April (dates to be confirmed)

Interviews for successful applicants will be held w/c 19 or 26 April (dates to be confirmed)

Founded in 1942, Oxfam works with people regardless of race or religion in their struggle against poverty. Oxfam GB is a member of Oxfam International.

OXFAM

Oxfam GB is striving to be an equal opportunity employer

Position available.

To advertise your appointments in the FT please call:
Tel: +44 171 873 4015
Fax: +44 171 873 4331

Our client, one of the UK's leading International Investment Banks and wholly owned subsidiary of a major Japanese Financial Institution, is seeking to appoint an experienced professional to the following role.

MARKETING MANAGER

You will be marketing **Custodial Services to the Japanese Market** using a broad internal marketing network and a Japanese speaking staff. Additionally, you will be responsible for expanding and maintaining securities lending services and other value added services to our Japanese client base. The position reports to the Director of Custody and has a broad range of additional responsibilities such as new product development, new client sales, internal cross selling and management and development of network services.

Requirements include: fluent written and spoken Japanese and English; five years experience in a client services/marketing role; three years experience in Global Custody or Securities Settlements and similar experience in Securities Lending very helpful; familiarity/experience with SWIFT, Euroclear, Cedel also a plus ; education to a degree level is a minimum.

Our overall aim for this position is high quality client services to the Japanese Market with strong emphasis on communications, accuracy and timeliness. Your demonstrated experience of the above may make a substantial difference to your application.

If you are interested in this excellent career opportunity you should write, enclosing a current CV and quoting reference number FT037 to Paul McIntyre at the address below.

PAUL MCINTYRE CONSULTING GROUP LTD.
Harap House, 77A High Street, Reigate, Surrey RH2 9AH
Telephone: +44 (0) 1737 222611 Fax: +44 (0) 1737 222136
email pmcgroup@btinternet.com

Recruiting throughout Europe
Global Custody Services to the Japanese Market
Based: The City
Excellent Salary Package
Paul McIntyre Consulting

Engineering Equity Analyst

London/Frankfurt — Excellent Salary + bonus + benefits.

Our client is a major European financial services institution and a world leading investment bank. They are committed to further expansion of their investment banking activities and Europe remains a primary focus in achieving this.

In this respect they are seeking to recruit a small/mid cap German engineering equity analyst to work closely alongside the highly rated Pan European team. The role will involve in-depth analysis and forecasting of the financial performance of the quoted companies in this sector. The research will be marketed through written reports and direct communication to institutional clients, as well as through the sales team. The role will also involve extensive primary research.

Suitable applicants will possess an outstanding academic track record (preferably to post-graduate level - MBA, MSc, PhD) and must be fluent in both German and English. They may currently be equity analysts or corporate financiers in any sector with at least 2 years experience. Alternatively they may have at least 2 years experience within a firm of strategic management consultants or in an internal strategy role in an engineering firm. Excellent communication and presentation skills are vital, as is the drive and motivation to succeed within a highly competitive market.

Our client offers a meritocratic and challenging environment coupled with ongoing technical training and staff development programmes. An excellent remuneration package is offered which is designed to attract and retain the very best individuals.

Interested applicants are invited to contact Gareth Lewys-Lloyd on +44 171 930 1222, facsimile +44 171 930 1444 or email gll@astburymarsden.co.uk. Alternatively write enclosing full CV and current salary details to Astbury Marsden Search & Selection, 40 Strand, London, WC2N 5HZ, England. All enquiries will be treated with the strictest confidence.

astbury marsden
SEARCH AND SELECTION

Our client is an important European manufacturing company, with a turnover of Euro 1.2 billion, present in most European countries. Its *customers are leading multinationals in fast moving consumer goods.* Expanding plans, a favourable competitive positioning and investment objectives require a

CORPORATE TREASURER

He will be in charge of the financing of the group, advising on the optimal capital structure, finding and negotiating the right financial tools. The ideal candidate has a proven trackrecord in international finance. He is used to managing relationships with both commercial and investment banks. He is keen on taking up a challenge in a company that only recruit highly driven professionals. The position is located in Amsterdam with frequent stays in London.

Please send your résumé in total confidentiality to: KESSLER & ASSOCIATES, 9 Place du Molard, CH-1211, Geneva 3, E-mail DidierKess@aol.com for further information and evaluation.

BARCLAYS ASSET MANAGEMENT, seeks an

ACTIVE SENIOR PAN-EUROPEAN EQUITY FUND MANAGER
(PARIS BASED)

Within the Asset Management team, you will be managing the firm flagship european equity funds, be an active member of the investment committee, participate in the overall investment process and specialize on a few specific european sectors.

Minimum of 4 years of experience in equity management with an emphasis on pan-european stocks; ability to integrate within an evolutive environment; strong analytical skills; computer literate.

You will have a strong academic background completed by a financial analysis degree and be fluent in English; other European language will be a plus.

Please send letter + CV and photo to BARCLAYS BANK PLC (France) ... 183, avenue Daumesnil, ... Paris ... Michèle SEVAUX

BARCLAYS

---

employees@your.fingertips

For more information on advertising opportunities please call:
Tel: +44 171 873 3351 Fax: +44 171 873 4331

A Geneva based organization with Shipping, Oil and Banking interests has an immediate opening for a

CHIEF FINANCIAL OFFICER

with the following qualifications:

- at least 10 years of international experience with a large corporation or a bank;
- ability to lead and organize the financial reporting of the consolidated group and/or division;
- the ability to coordinate bank relations for the holding company plus the related companies as regards trade financing;
- the responsibility for work with banks or international credit agencies for project finance;
- past experience in trading, shipping or banking will be an advantage.

The candidate will also be called to participate in some internal audit functions.

To assume these responsibilities, the candidate should have:

- strong financial statement analysis skills;
- knowledge of audit procedures;
- good command of spoken and written English;
- proven track record in negotiating with banks.

Please send your CV to: PUBLICITAS INT, Cifer CMA 100/001/Kv, Kirschgartenstrasse 14, C4 - 4010 BASLE

---

les Echos
Le Quotidien de l'Economie

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.

For information on rates and further details please telephone: Karl Loynton on +44 171 873 3694

PRIVATE WEALTH MANAGEMENT

HEAD OF TURKISH MARKETS

London

Our client, a leading global investment bank, is expanding its Private Wealth Management coverage and is now looking for an exceptional performer to head-up its Turkish Markets Desk.

As well as ensuring the operational effectiveness of the team, you will be responsible for managing client assets on a day-to-day basis and advising high net worth individuals on global investment opportunities.

To qualify, you will need an outstanding record of academic achievement including an MBA from a leading business school, preferably backed by a Finance and Management related degree. An impressive 5-year track record in corporate finance/capital markets is essential and must include tax expertise, an in-depth understanding of Turkish financial regulations and a flair for building strong relationships with both private and public sector companies in Turkish markets. Proven cross-functional project and team leadership skills are also essential. You will be fluent in both written and spoken Turkish, English and at least one other European language.

To apply, please send your CV, quoting ref: 2294, to: The Response Handling Team, AIA, 5 St John's Lane, London EC1M 4BH. Closing date: 19th March 1999.

Applications will only be sent to this client, but please indicate clearly any company to which your details should not be forwarded.

aia
HR MARKETING & COMMUNICATIONS

associate director
property finance

London
£ competitive
+ banking benefits

The Role

SG's Property team in London has an excellent track record in the UK and, to build on its success to date, an Associate Director is now required to join its dynamic team of property professionals.

The new Associate Director will undertake all aspects of property financing including originating, evaluating, negotiating and implementing property transactions throughout the UK, across all sectors.

The Person

To be successful in this key role you will require at least three or four years commercial property lending experience to both public and private companies throughout the UK, including larger deals in excess of £5 million and, ideally, you will have some experience of syndicated lending. You will also have a record of achievement in identifying new business opportunities and successfully bringing these to completion. In addition to sound credit and loan documentation and computer skills you will be an excellent relationship builder and negotiator. You will need to be highly motivated and able to work accurately in a team environment.

This opportunity offers an excellent career challenge. To apply, please send a CV and details of your current remuneration to Jeremy Collin, our Consultant at Alexander Hughes Selection (Ref B 2056) 14-16 Lower Regent Street, London SW1Y 4PH. E-mail consultants@ahslondon.co.uk

SG is the international investment and commercial banking business of Société Générale, one of the world's top 10 banks. We serve companies, institutions and governments in 80 countries.

SG

Ermitage

Hedge Fund Research Analysts

£ Excellent Package + Benefits London W1

Outstanding opportunities for ambitious, numerate individuals to join a major investment group and become part of a dynamic team dedicated to leading edge research / analysis of hedge fund managers

The Company:

- The Ermitage Group has over $700 million under management & administration and specialises in hedge funds and fund of fund strategies
- The Liberty International Group owns 40% of the equity and is itself a major investor in alternative investment strategies
- The wider Liberty Life / Liberty International / Ermitage organisation has assets under management exceeding $30 billion
- Hedge Fund Research is core to the Group's strategy of developing new products and building distribution in new markets

The Positions:

- Senior analysts, who will be responsible for conducting in-depth interviews with hedge fund managers
- Our analysts combine established quantitative techniques with an innovative approach to qualitative research at the fund manager, strategy and macro levels

The Candidates:

- The ideal candidates will have a degree in a numerate discipline, followed by several years' analytical experience in the financial sector and possess strong technical knowledge of investments / markets
- Hard working, team players with excellent communication and PC skills
- Ambitious, motivated and credible at senior levels

Please send full curriculum vitae, stating salary, to:
Derek Stewart, Ermitage Management (UK) Limited, 25 Savile Row, London W1X 1AA.
Fax: 0171 333 0443

International Development Consulting firm seeks Field Project Administrator candidate. Position requires an advanced degree in Public Administration, Planning, Economics, Finance or related field. Experience in USAID project management and a demonstrated ability to manage local and expatriate team. Candidate must have at least 15 years experience in one or more of the following:

- *Urban policy/Urban management.*
- *Municipal Finance.*
- *Local Governance.*
- *Managing Local Utilities.*
- *Experience in India or South Asia, preferred.*

Urban environmental infrastructure project development and project finance experience highly desirable. Send resume ASAP to AXC/Recruit, Email: acuirona@chemonics.com, Fax: (202) 955-7450, or P.O. Box 18895, Washington, D.C. 20036.
No Phone Calls Please.

International Marketing Executive

c £50,000 + commission

We are fast growing international consulting and training group and wish to appoint an experienced UK based financial institutions marketing executive for international business development. We require candidates to have a minimum ten years senior financial services experience, be willing to travel extensively and have a successful track record in business relationship development. Reporting to the Managing Director, the successful candidate will be a self starter, be well presented and will possess strong marketing, communication and inter-person skills. Linguistic skills will also be a distinct advantage.

Send detailed C.V. in confidence to:
The Managing Director, Glendale Consulting Limited, 5 Bridge Street, Leatherhead, KT22 8BL, United Kingdom

---

Telecoms Equity Research Associate

Europe

London office of prestigious US Investment Bank

Qualifications to include University degree with excellent financial and accounting skills. Telecoms industry experience and European language skills helpful. Willingness to work long hours.

The position attracts a competitive salary plus benefits commensurate with the level of responsibility.

Please send Curriculum Vitae to:
Human Resources, PO Box 155, London, SW1H 0ED

Bank for International Settlements

The Bank for International Settlements is an international organisation that promotes central bank cooperation and provides additional facilities for international financial operations. Based in Basle, Switzerland, with a representative office for Asia and the Pacific in Hong Kong, the BIS has around 480 staff from some 30 countries.
www.bis.org

Librarian

Joining the Information, Press and Library Services, the successful candidate will

- perform and coordinate ordering, claiming and receipt of informational materials
- negotiate with suppliers, monitor budget expenditures, reconcile accounts and coordinate selection of information resources in all formats
- perform descriptive cataloguing and subject classification using AACR2, UDC and UK Marc

Requirements

- degree in library/information science plus three to five years' experience with acquisitions, online retrieval or document delivery
- knowledge of fee-based document services and pricing structures for print and electronic media
- familiarity with information resources in banking and economics
- good command of English and German; knowledge of another major world language an advantage

The BIS offers attractive conditions of employment in an international environment and excellent welfare benefits.

Please send applications, together with references, to Human Resources, Bank for International Settlements, CH-4002 Basle, Switzerland, quoting reference 99522. Closing date for applications: 22 March 1999.

ACCOUNTANCY APPOINTMENTS

GROUP FINANCE DIRECTOR

Surrey to £75,000 + Benefits

Our client is a strongly performing, growth orientated Group. Following a recent promotion, there is a requirement to recruit a new Group Finance Director. This is a key appointment, providing effective financial management and control as well as contributing heavily to the Group's ambitious growth strategy. Group turnover will exceed £75 million in 1998/9.

THE POSITION

- As a key player within the executive team, provide critical commercial and financial direction to the Group, acting at both a strategic and tactical level.
- Maintain and improve an effective framework of financial management and control which will enable the Group to prosper and develop further.
- Work closely with the diverse operations, ensuring that the businesses take full advantage of the considerable opportunities presented by the current and future business environment.

QUALIFICATIONS

- Graduate calibre, chartered accountant, with an excellent career record to date. Considerable exposure to/experience of executive board participation is essential.
- Sound commercial awareness, evidenced by the vision, intellect and judgement to drive forward business planning and profitability.
- First class interpersonal skills, high degrees of energy and the communication ability to influence all levels of an organisation.

Interested candidates should write, enclosing full career and salary details, to the advising consultants, Jon Boyle and Kevin Dunbar, at Questor International Ltd, 3 Burlington Gardens, London W1X 1LE. Please quote reference 2598. Tel 0171 292 8300, fax 0171 287 5457, e-mail: lorraine@questorint.com

QI
QUESTOR INTERNATIONAL

PRG The Profit Recovery Group UK, Inc.

Accountants - *Bedrijfsanalisten*

De Profit Recovery Group International is een aan de Amerikaanse beurs genoteerd bedrijf. PRG helpt bedrijven om hun winstgevendheid te optimaliseren door contracten betreffende goederen en diensten grondig te controleren op naleving van de overeengekomen voorwaarden. Wanneer niet aan deze voorwaarden wordt voldaan, zorgt PRG samen met de klant er voor dat het niet geïnde bedrag alsnog wordt geïnd. Wij werken in samenwerking met onze klanten en gebruiken ook veel zelf ontwikkelde technieken om deze verschillen te identificeren. Dit doen wij onder andere met in eigen beheer ontwikkelde software. Daarnaast adviseren wij ook de klant waar hij procedurele verbeteringen kan aanbrengen in zijn interne systeem.

Wij zijn op zoek naar meerdere mensen, welke zowel verstand hebben van administratieve procedures als wel naar mensen die opgeleid zijn in een van de volgende richtingen: de detailhandel, de farmaceutische industrie, onroerend goed en financiële dienstverlening. Een diploma in accounting is gewenst, maar niet vereist. Ervaring met computers en gegevensbestanden is eveneens gewenst maar ook niet vereist.

U bent resultaatgericht, heeft een praktische kijk op werk, en bent bereid om alles op alles te zetten om onze klanten diensten van topkwaliteit te verlenen. Hoewel u uzelf kunt motiveren, bent u ook bereid uw steentje bij te dragen in teamverband, zowel op landelijk als op internationaal niveau.

Wat ervaring betreft, dient u idealiter te voldoen aan een mix van de volgende eisen.

1. U heeft met succes een opleiding in accounting / bedrijfsanalyse gevolgd
2. U heeft tenminste 2 jaar een lagere leidinggevende positie bekleed.
3. U heeft inzicht in de onderhandelingen die gepaard gaan met contracten die voornamelijk betrekking hebben goederen die bestemd zijn voor de doorverkoop
4. U heeft ervaring met computers, en kan goed overweg met een of meerdere van de volgende software pakketten: Lotus Notes, Excel, Word, R&R of soortgelijke programmatuur.
5. U kunt overweg met database-informatieopslagsystemen.

Als tegenprestatie bieden wij u bij PRG een uitstekend salaris, een gedegen opleiding en uitstekende carrière vooruitzichten, in een bedrijf dat momenteel jaarlijks bijna 50% groeit. Op dit moment heeft PRG ruim 1800 werknemers wereldwijd, waarvan er ongeveer 300 in europa werken.

Onze mensen zijn de spil voor ons succes!

Bent U geïnteresseerd, dan kunt u uw reactie sturen naar: Karen Boxall, HR Co-ordinator Europe, The Profit Recovery Group, 2nd Floor, Kiln House, 210 New Kings Road, London SW6 4NZ, U.K.

E'mail: kboxall@prgx.com Fax No: +44 (0)171 736 0551

HEAD OF AUDIT

Challenge Influence and Change

Hampshire Outstanding Package

Our client is one of the world's leading international financial institutions with assets under management in excess of $180billion. The group is committed to effective risk management, recognising the importance of aligning it to support and add value to the business. In line with this corporate strategy, the group requires an exceptionally commercial and dynamic individual, as Head of Audit for the UK operations, with the ability to make a real difference to the business.

THE POSITION

- Play a pivotal role within the UK senior management team, ensuring risk management becomes deeply embedded in the strategy, operations and processes.
- Develop partnerships with business management to drive and develop risk management solutions to meet current and future activities.
- Outstanding opportunity for an ambitious individual to have substantial impact on the business, providing the platform for progression within the group.

QUALIFICATIONS

- Qualified accountant with experience of financial services gained in industry or the profession, with the ability to demonstrate an understanding of the strategic importance of risk management.
- Commercially astute with a consultative and analytical approach, able to forge proactive working relationships and deliver sound judgements.
- Strong leadership skills with the presence and credibility to develop a highly motivated team. An influencing persuasive style is key to success.

Interested candidates should write, enclosing full career details and current salary, quoting reference 2595 to the advising consultant Robert Berkeley, Consumer Division, Questor International, 3 Burlington Gardens, London W1X 1LE. Tel 0171 292 8300. Fax 0171 287 5457. e-mail: claire@questorint.com

QI
QUESTOR INTERNATIONAL

EUROPEAN DIRECTOR OF FINANCE

c£75,000 + car allowance + benefits **M4 Corridor**

Since its formation less than ten years ago, this Californian software vendor has grown at an exceptional rate and is now a market leader in its sector. After flotation on NASDAQ in 1995, our client set up a European HQ in the UK along with operations in several other European countries. These too are undergoing a period of rapid growth and change and as a result the decision has been taken to make this new appointment.

Managing a small team of professionals, the European Director of Finance will work very closely with the VP Europe and will have a strong functional link to the Director of Finance in the US. This is a wide-ranging role, entailing full responsibility not only for the finance function but also for IT and administration. As well as leading the financial reporting, planning and control process across Europe, the successful applicant will support the VP Europe in strategic planning, change management and business development activities.

We are looking for an individual with a high level of business acumen, personal credibility and influencing skills. You will be a Chartered Accountant, or possibly an MBA, with at least ten years' PQE. You must have senior level experience within a US high technology company and an international outlook. An understanding of US GAAP is essential, whilst a knowledge of software revenue recognition rules would also be advantageous. For someone with energy, ambition and the ability to contribute in an environment of rapid change, this role will provide excitement and challenge along with real opportunities for personal career growth.

Please reply in confidence enclosing your CV and current salary details, quoting Ref: FT7037, to Paul Carvosso, Howgate Sable, 35 Curzon Street, London W1Y 7AE. Tel: 0171-495 1234. Fax: 0171-495 1700.
e-mail: london@howgate-sable.co.uk

HOWGATE SABLE hs
International Search & Selection
Partnered with Kenzer Corporation in North America

مكتبة من الاصل

Group Finance Director

WOOD & COMPANY

Wood & Company is the only region-based and region-wide investment bank covering the markets of Central Europe. The firm researches, underwrites and makes markets in local equities and GDRs, as well as advising on mergers and acquisitions. The company is a licensed securities dealer and a member of the stock exchanges in Warsaw, Prague, Budapest and Kiev and has established offices in those cities. A London sales and sales/trading office will open in May this year. Euromoney/Central European magazine voted Wood & Company "The Best Regional Brokerage in 1998". The firm is a private partnership. To learn more, visit www.wood.com

Prague — Significant Expat Package + Board Membership + Partnership Prospects

Wood & Company is now looking to recruit a Group Finance Director. Based at group headquarters in Prague, this is a highly challenging role offering the right candidate a unique opportunity to create and manage the growth of a dynamic and innovative organisation. In a growing region, opportunities for personal and business growth are very evident.

Reporting to the Chief Executive and the Board, you will be responsible for the entire financial management and control of group companies in eight countries. Specific duties will also include management of:

- Finance teams in all countries of operation.
- Group reporting.
- Tax strategy.
- Management accounting and budgeting.
- Group relationship with auditors.
- Co-ordinating system requirements for the finance function.

An English speaker, you must be a strong team player with excellent organisational and communication skills, as well as a strong commercial instinct. You must be a qualified accountant (ACA, CPA or equivalent), likely to have a management role in a financial services organisation and be seeking a more progressive and influential position. Experience of working in Central and Eastern Europe is an advantage but not a requirement.

To be considered for this outstanding opportunity, please forward your CV including salary package details, quoting reference number 488264, to Jonathan Stokes at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LN, UK. Telephone on +44 (0) 171 269 2465, fax +44 (0) 171 831 3440, e-mail: mpf.e.europe@michaelpage.com

Michael Page
EASTERN EUROPE
www.michaelpage.com
Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Attachmate™

Financial Controller

Attachmate is a US multinational corporation and world leader in the provision of host access products and management solutions. The business is truly global with 1900 employees supporting 80% of the Fortune 500 and Global 2000 customers through a network of offices worldwide.

Wokingham — Package to £50,000

The UK subsidiary is the largest sales office in Europe with a turnover in excess of £17 million and mirrors the global strategy of significant growth. This growth is set to continue facilitating the need for a high profile Financial Controller reporting to the Organisational Controller (North and Central Europe) based in Paris. The role is the most senior financial position in the UK and key responsibilities will include:

- Provision of first class day-to-day financial control.
- Management of financial reporting and analysis of UK performance.
- Full commercial and financial support to local management.
- Responsibility for legal, operational and HR matters.
- Ad-hoc project work such as investment appraisal.
- Management and development of an eight strong team.

Likely candidates will be graduate calibre, qualified accountants with a minimum of three years post qualified experience. Individuals with exposure to European affiliates of US hi-tech companies will be of particular interest.

It will be essential that candidates have well developed interpersonal skills, along with the ability to communicate with and influence others at all levels in the business. A professional, enthusiastic and proactive nature will be necessary to add value to this ambitious business.

Interested candidates should forward a comprehensive curriculum vitae, including details of current salary and daytime telephone number to Anthony Spratt ACMA, Michael Page Finance, 33 Blagrave Street, Reading, Berkshire RG1 1PW, fax 0118 9561657, quoting reference 488847. e-mail: tonyspratt@michaelpage.com

Michael Page
FINANCE
www.michaelpage.com
Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Finance Director

Newly Created...Growth Sector

North West — c £45,000 + Car + Substantial Bonus

Our client, a group turning over c£30 million with sizeable planned growth, is currently looking to attract a high calibre commercial finance professional. With operations covering telecommunications to construction, the group has restructured to give clear business focus.

Working with the Group Managing Director, you will be responsible for the development of key relationships with the Divisional Managing Directors and Chairman. Business planning, working capital, balance sheet management and growth of profit will be critical. Strategic planning, together with organic and acquisition led growth, will be key to the role.

You will have demonstrated clear focus to date and the ability to affect the bottom line. The challenge will come from a diverse group experiencing and planning sizeable growth, therefore you will have had or currently be operating a business used to the dynamics of cultural change, whilst maintaining control of finances. You will be a qualified accountant, confident with the strength of character to influence senior management.

Interested candidates should write to Gareth Davage, Executive Division, Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ, Telephone 0161 228 0395, fax 0161 236 6961. Please quote reference DWO. e-mail: garethdavage@michaelpage.com

Michael Page
FINANCE
www.michaelpage.com
Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Imperial Cancer Research Fund

Head of Finance and Administration

Imperial Cancer Research Technology (ICRT) is the commercial subsidiary of Imperial Cancer Research Fund (ICRF), one of Europe's largest cancer research charities. ICRT's role is to manage the interface between ICRF's research and the biopharmaceutical industry. With a turnover of £2.8 million, it is a small but expanding company with a crucial role to play in the commercialisation of biomedical science. All profits are returned to ICRF to fund further research.

Central London — £37,500

Reporting to the Chief Executive, the Head of Finance and Administration will be responsible for all financial and administrative aspects of operations and will have a central role to play in the continued success of the company.

The main responsibilities of this key post are:

- Managing the finance function on a day-to-day basis.
- Preparing high quality financial information including statutory reporting, management accounts and analysis.
- Providing a commercial service to ICRF scientists including negotiating agreements and project budgets.
- Maintaining and developing management information systems.
- Acting as Company Secretary to the Board and management team.

The successful candidate will be a qualified accountant with excellent interpersonal skills and hands-on practical experience. A mature and flexible approach will be required to work as part of a small team of professionals with complementary skills, as well as interacting with senior people in both the scientific and commercial worlds.

Interested candidates should write, enclosing their CV and details of current package, to Matthew Morris or Stephen Rutherford at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293. Please quote reference 488804.
e-mail: matthewmorris@michaelpage.com

Michael Page
FINANCE
www.michaelpage.com
Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Commercial Accountant

South West — to £40,000 + Benefits + FX Car

Our client is a privately owned medium sized manufacturing business. Established over 150 years ago, the business is one of three specialists within its field and exports to over 70 countries worldwide. With an overlying policy of strong collaboration between customer and supplier, it has developed an unrivalled reputation for quality, performance and service and its environmental consciousness is of paramount importance. Recent years have seen significant investment and technological advancement, as well as a thorough restructure and change programme and is strategically well placed for growth.

An opportunity has now arisen for a high calibre finance professional to join the management team. Reporting to the Group Finance Director and General Manager, you will provide meaningful management accounting information to assist commercial decision making and will provide sound financial and business advice. You will be accountable for budgeting and forecasting analysis, stock and inventory control and production costing, profit planning and customer profitability data.

A qualified accountant with previous commercial experience gained within a manufacturing environment is essential. Your natural style will be positive, proactive and visible outside of finance. At ease with interpreting and reviewing analytical data, you will be change and process improvement orientated and will have the necessary interpersonal skills to influence outcomes for the better and challenge the status quo.

You will have developed an excellent working knowledge of MRP standard costing systems and accustomed to working in a cross-functional team, you will be appreciative of the wider operational issues of running a factory and will be at ease on the factory floor.

Interested candidates should apply in writing enclosing a CV and covering letter, with daytime telephone number and current package details to Kathryn Roberts, Regional Manager at Michael Page Finance, 29 St Augustines Parade, Bristol BS1 4UL or fax 0117 9264223 quoting reference 489830, alternatively e-mail: kathrynroberts@michaelpage.com

Michael Page
FINANCE
www.michaelpage.com
Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

---

www.michaelpage.com

Financial Controller

Reed Exhibition Companies (UK)

When you're a world leader in the fast-paced world of trade exhibitions with over 100,000 clients in 25 countries, life's never dull. We bring together suppliers and buyers from around the world generating billions of dollars of business. Reed Exhibition Companies (REC) is in turn part of Reed Elsevier, a world leading publisher and information provider with principal business activities in North America and Europe, with annual revenues in excess of £3.4 billion.

Richmond, Surrey — c £50,000 + Car + Bonus

In the UK, REC organise 37 events in five key market sectors – travel, retail, IT, industrial and hospitality. Many of the events are brand leaders and we are focused on creating the market leading events of the future.

Based at Reed Exhibition Companies Head Office in Richmond, the Exhibitions Financial Controller reports to the UK Finance Director and forms the critical link between the sales and marketing teams and the central finance department which is based in Birmingham.

Key responsibilities:

- Work with the Exhibition management teams to ensure that maximum profits are generated from their events.
- Review all Exhibition budgets and forecasts.
- Enhance the financial processes and management information produced in order to optimise the decision making process.
- Manage the financial aspects of show acquisitions, integration and disposal.
- Work closely with Exhibition Directors to obtain a strong understanding of the commercial aspects of the business.
- Manage and develop a team of three Finance Managers.

This is a pivotal role that will require an understanding of the whole business; thus a broad range of skills and knowledge will be necessary.

To be successful, you are likely to have 3-4 years PQE gained in a service industry demonstrating a strong mix of financial skills and commercial acumen. Well developed interpersonal skills are important, as is the ability to multi-task within a team based, hands-on environment.

Interested candidates should send their CV along with current remuneration details, quoting reference 417930 to Alistair Robinson at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG or fax your details on 01372 370101. Alternatively, e-mail: alistairrobinson@michaelpage.com

Michael Page
FINANCE
www.michaelpage.com

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Finance Directors

South East/Thames Valley — c £60,000 + Car + Bonus

Our client, a UK quoted Plc, has achieved outstanding growth and has now become one of the UK's leading quality property developers. Success has been achieved by extending the original philosophy of building high quality styled homes on either single plots or exclusive sites throughout all developments.

The organisation has recently refined its operating structure in order to concentrate on all development disciplines and growth. This has resulted in the requirement for three Finance Directors to join the business.

Reporting directly into the respective Regional Managing Directors, the Finance Directors will be key members of the Regional Board of Directors and will be expected to fully contribute to the decision making process.

Responsibilities will also include:

- The provision of financial and commercial support to fellow Directors.
- Maintaining high levels of financial control and probity and enhancing value added information.
- Ensuring that the finance department is integrated within and responsive to the business as a whole.
- Training and development of the finance team.

Suitable candidates will be progressive qualified accountants who have proven value added financial and commercial skills, preferably obtained within dynamic and growth focused organisations.

Well developed inter-personal skills are essential and candidates must have the ability to progress within the organisation.

Interested candidates should send their CV along with current remuneration details quoting reference 486050 to Alistair Robinson or Tony Spratt at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG alternatively fax your details on 01372 370101. e-mail: alistairrobinson@michaelpage

Michael Page
FINANCE
www.michaelpage.com

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

ZENECA

Excellent Entry Roles

Career opportunities within a global blue-chip organisation

Zeneca, a market leading global bioscience group with a turnover in excess of £5 billion, is poised for future expansion within a competitive marketplace. This is an exciting and challenging period for the £1.6 billion Zeneca Agrochemicals Business, which has resulted in a need for a number of career focused finance professionals to undertake a variety of proactive and influential roles within a challenging environment.

Surrey/Sussex/Hampshire Border — to £34,000 + Bens

Working within either the UK, International or manufacturing finance teams, the roles will cover many facets of accounting including the following:

- A broad range of management and financial accounting reporting within a demanding time frame.
- Preparation and analysis of strategic documents that are commercially sensitive.
- Ongoing enhancement of management information production and internal MIS (SAP/Hyperion).
- Undertaking value added projects for the CFO and Financial Controllers.
- Preparation of information that influences the international business team's decision making.
- A degree of overseas travel.

Suitable candidates will be newly qualified accountants with a good academic record and with a strong mix of technical and commercial based skills, combined with high levels of motivation, credibility and confidence. In return, you will be offered an exciting entry position with Zeneca that could lead to numerous opportunities for a global and blue-chip career.

Interested candidates should send their CV, along with current remuneration details, quoting reference 487702 to Huw Rothwell or Alistair Robinson at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG or telephone 01372 375661, alternatively fax on 01372 370101. e-mail: huwrothwell@michaelpage.com

Michael Page
FINANCE
www.michaelpage.com

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Pfizer

Financial Analysts

Commercial roles within a global pharmaceutical giant

By basing success on discovering, developing and delivering innovation through its people and products, Pfizer has become a global market leader within the pharmaceutical industry. In addition, Fortune Magazine recently voted Pfizer the world's most admired company within the pharmaceutical and healthcare sector. Pfizer's current portfolio contains a number of the leading market brands. Their ability to turnaround research and develop investment into marketable products has resulted in the launch of 10 major pharmaceuticals in less than a decade. Growth in sales and net income have been dramatic and turnover now exceeds $11 billion.

Kent — £ Excellent Package

Based within central research, the Financial Analysts will be assigned to specific operationally focused business units. The purpose of the roles is to add value to the planning and reporting process in order to facilitate effective decision making for the product development life cycle. Key priorities will also include:

- Ongoing enhancement of management information and internal Oracle based MIS.
- The provision of financial advice and analysis to enhance business decisions.
- To provide financial input and analysis to the development Portfolio Management Groups.
- Substantial involvement in the provision and improvement of project accounting systems throughout central research.

Due to extensive senior management interface, suitable candidates must possess gravitas, a proven financial track record and the ability to think strategically. Successful candidates will be either qualified accountants, or in possession of an MBA, with the inherent ability to understand commercial issues and appreciate the 'big picture'.

Interested candidates should send a CV, quoting ref 438611, to Alistair Robinson at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG. Telephone 01372 375661, Fax 01372 370101.

Michael Page
FINANCE
www.michaelpage.com

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Learning Tree International

Financial Reporting Manager

Since their inception in 1974, Learning Tree International, an American NASDAQ listed company, has grown to become the world's largest independent provider of training for IT professionals. The organisation's success and growth has been achieved by focusing on delivering the highest quality IT training in the marketplace.

Surrey — c £30,000 + Benefits

Due to the rapid growth of the UK business which currently generates revenue of £30 million, a requirement has been identified for a Financial Reporting Manager. Based at the UK headquarters and reporting directly into the Finance Director, key responsibilities will include the following:

- Preparation and enhancement of the monthly management reporting package.
- Ensuring that information provided adds value to the business and facilitates effective decision making.
- Undertaking monthly forecasting and co-ordination of the annual budgets.
- Identification and analysis of the key performance indicators.

This role has a very commercial focus and the individual must gain a sound appreciation of the Learning Tree business to fully contribute.

The successful candidate is likely to be a recently qualified accountant with a well rounded mix of accounting and analytical skills, who is in possession of credibility and gravitas.

Interested candidates should send their curriculum vitae along with current remuneration details quoting reference 469249 to Alistair Robinson at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG or telephone us on 01372 375661 or alternatively fax your details on 01372 370101. e-mail: alistairrobinson@michaelpage.com

Michael Page
FINANCE
www.michaelpage.com

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

COLGATE-PALMOLIVE (UK) LIMITED

Commercial Category Analyst

Colgate Palmolive is one of the leading global FMCG companies in the oral, personal care and household products market. Operating in 194 countries, the company has strong brand names that include Colgate, Palmolive, Kolynos, Mennen and Ajax.

Guildford — c £33,000 + Benefits

This Commercial Category Analyst role is an integral element of our category management offering. Working closely with our National Account Managers and directly with our retail partners, the key purpose of the role is to make recommendations improving the effectiveness of in-store category promotional and pricing strategies. The main responsibilities include:

- Performing financial and comme[illegible] on a wide variety of data sour[illegible] aim of making value adding r[illegible] to retailers on the effectiven[illegible] promotional programme.
- Reinforcing our total categor[illegible] by integrating any pricing or pr[illegible] recommendations with ranging, [illegible] or supply chain initiatives.
- Owning and developing the software used to mod[illegible] promotional impacts.

As a newly qualified CIMA with a minimum of two years commercial experience, you will be a strategic and commercial thinker able to deliver rounded business solutions that optimise the performance of Colgate and our retail partners. We are looking for a logical thinker, able to analyse disparate data and present results clearly. A real team player, you will have excellent presentation skills, the ability to influence at all levels and the confidence to challenge assumptions. Highly computer literate, you will extend [illegible] our software through the development and [illegible]n of training programmes.

[illegible] offer you an excellent benefits packag[illegible]udes free private medical, dental and li[illegible]e, long term disability, share match [illegible]tory pension and the opportunity to [illegible] benefits for cash.

[illegible] ambitious, flexible and eager to succeed in [illegible]n environment that can offer you opportunity, please forward a comprehensive CV to Alistair Robinson at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG or fax 01372 370101 quoting reference 466765. e-mail: alistairrobinson@michaelpage.com

For more information on jobs in the Southern Home Counties, please contact

alistairrobinson@michaelpage.com

High Profile Finance Professionals

Our client is a substantial international group with a turnover in excess of £350 million and operations throughout the world. The group is highly profitable, deriving revenue from a global network of manufacturing, sales and service operations. Following a period of change, there is now a need to appoint three senior managers to support the business through its next stage of growth. All three positions are based in the Home Counties.

UK Finance Director c £65,000 + Car

The UK business leads its market. With a turnover of £100 million, the company manufactures, distributes and sells to a wide and diverse customer base in a competitive, volume-driven market. Reporting to the UK Sales Director, key responsibilities include:

- Provision of full commercial and financial support to the UK management team.
- Manage and develop the forecasting process.
- Provide an effective interface between the manufacturing and sales operations.
- Provide commercial support to a substantial sales team.

Likely candidates will be qualified accountants who have a strong track record within a fast moving, sales driven environment. Most importantly, they must have the ability to quickly build credibility with internal managers and external customers. Ref 485109

Planning Manager c £65,000 + Car

Based in the group headquarters, this position has responsibility for the global planning and review area. Typical responsibilities will include:

- Financial and commercial analysis of existing businesses' results on behalf of the board.
- Co-ordination and development of the business planning process.
- Advise the board and operating units on capital expenditure items.
- Provide analysis of potential merger/acquisition opportunities.

The successful candidate will be either a qualified accountant or MBA. Candidates who have worked in a fast moving manufacturing environment will be of particular interest. Most importantly, candidates must be able to demonstrate, in a practical manner, intellect of the highest level. Ref 484973

Treasurer c £50,000 + Car

Based at group headquarters, this is a newly created position. The requirement is for an individual who has a strong understanding of cash management gained within a multinational company. Key responsibilities include:

- Developing and implementing treasury policies and procedures.
- Monitoring actual and forecast cash generation for the operating companies.
- Developing and implementing the strategy for currency exposure and interest rate management.

Likely candidates fall into two areas. Either somebody who is a number two in the treasury function of a major group, is a qualified accountant, and has the desire to progress to a mainstream position in due course or an individual who has specialised in treasury throughout their career and has a long track record in this discipline. Ref 485110

Interested candidates should send an up-to-date CV, quoting the relevant reference number and including current remuneration, to Dan Chavasse at Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA, fax 01727 841616. e-mail: danchavasse@michaelpage.com

Michael Page
FINANCE
www.michaelpage.com

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

FINANCIAL CONTROLLER

INTERNATIONAL INSURANCE AND CONSULTANCY GROUP

S.W. LONDON — **FIRST CLASS EXECUTIVE PACKAGE**

- This publicly listed organisation has grown exponentially since 1982. With 1997 revenues exceeding £3 billion and with offices in more than 100 countries the group is a world leader in insurance and consulting services.
- With revenues set to exceed £350 million, and growth expectations of 100%, this specific division of our client provides value added insurance based products to a broad spectrum of customers, targeting amongst others the automotive and consumer electronics markets.
- This is a challenging opportunity to act in a pivotal role within the Finance Group. In addition to reporting, budgeting, tax and treasury responsibilities, there will be significant scope to make a major commercial and strategic input to the development of the group.
- A graduate qualified accountant, with an established record of achievement at senior level in a quoted PLC environment, where finance actively contributes to broader commercial decisions. Must have a distinctly commercial outlook aligned to well honed technical accounting skills, gained within the insurance or wider retail financial services sector.
- Outgoing manner with excellent communication skills, capable of quickly gaining credibility, managing a team of 25 professional finance staff. Energetic, resilient and good under pressure. Comfortable working in a relatively autonomous and team orientated business environment.
- Able to contribute to the development of a strong "best practice" finance function which supports rather than constrains exceptional business performance.

Please apply in writing quoting reference 1775 with full career and salary details to:
Kevin Bishop, Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2129. Fax: 0171 290 2085
E-mail: kevin.bishop@amrop.com
www.whiteheadselection.co.uk

Whitehead SELECTION
A division of Whitehead Mann Ltd, a Whitehead Mann Group PLC company

Head of Finance – Virgin Direct

Norwich — **to £70,000**

Established in March 1995, Virgin Direct already manages over £1.7bn in funds for in excess of 250,000 customers. Based on providing excellent products and high quality service, Virgin Direct has developed a comprehensive range of products covering personal banking, mortgages, savings and investments. It will undoubtedly become a major force in the highly competitive UK financial services industry.

Part of a proactive executive team, the Head of Finance will develop and maintain a watertight financial reporting and control environment and deliver the highest standards of financial management and reporting. Adapting the finance department's structure to meet changing the needs of a rapid growth business in a highly regulated environment is seen as a key challenge of the post.

Applicants must be qualified accountants of the highest calibre and used to operating at senior executive level. Experience must have been gained in a customer focused and service oriented environment together with a first class track record in operational and strategic financial management. Candidates must combine strong accounting skills and commercial talent with highly developed people and communication abilities.

This is an excellent career development opportunity and the package includes relocation assistance where necessary. Interested applicants should send a full c.v. including current salary and daytime telephone number to **Paul Laurent** or **Phillip Price ACA** quoting reference 3182 at Deloitte & Touche Management Solutions at the address below.

Virgin direct

Deloitte & Touche

management solutions
Deloitte & Touche, Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.
Tel: 0121 200 2211. Fax: 0121 695 5729. Internet Address: Phillip.Price@deloitte.co.uk

FINANCIAL PLANNING AND [illegible]S MANAGER

As a Division of a major multinational U.S. Corporation operating in the speciality chemicals industry, we are looking to appoint a Financial Planning and Analysis Manager for our Europe, Middle East and Africa (EMEA) Region.

Reporting to the Business Unit Finance Director, you will be based at the European Headquarters in Frauenfeld, Switzerland. Your responsibilities will include the following:

- analysis of financial data to support key business decisions;
- standardisation and development of costing and information systems;
- identification of value adding opportunities;
- assisting in the preparation of strategic plans, budgets, forecasts and actual results;
- preparation of analysis to propel the business forward including product and customer profitability and investment appraisals.

You will be a graduate of accounting/finance or a qualified accountant. Excellent English is essential, as is the ability to work in either French, German or Italian. Experience in either the finance department of a major US multinational or with a big five accounting firm is required.

A high degree of IT literacy is desirable, ideally including SAP R3. Flexibility and mobility are essential, as you will be required to visit operational units throughout Europe on a regular basis. Excellent communication skills are of vital importance, as you will be expected to operate cross-functionally and internationally as a key member of the finance team.

If you are interested in this opportunity, please send your CV to Great Lakes Chemical (Europe) GmbH, Human Resources, Juchstrasse 45, CH-8500 Frauenfeld, Switzerland.

Great Lakes Chemical Corporation

GROUP FINANCIAL PLANNING & ANALYSIS MANAGER

Thames Valley — **c. £45,000 + bonus & car**

For a decentralised business services Plc, a leader in a challenging and competitive sector.

Working with independence and reporting to the Group FD, the role is to focus and drive the group business planning and budgeting processes, pro-actively review and analyse trading performance, identify variances and recommend corrective actions. In addition, you will further add value by assessing acquisitions, capital expenditure projects and other business proposals that arise.

To succeed in this tough but rewarding job, you must be a graduate qualified accountant or numerate MBA with direct experience of a comparable role in a fast-pace commercial environment. The confidence to act on initiative, supported by outstanding technical and intellectual skills, persuasive communication and PC fluency, are essential qualities. Energetic, ambitious and determinedly action-oriented, you must be committed and flexible.

Please write in confidence to Peter Williamson, enclosing a concise cv and remuneration details and quoting reference 066/FT. Explain briefly why we should meet.

Lawless & Williamson
EXECUTIVE SEARCH
1 Heathcock Court, 415 Strand, London WC2R 0NS
LawlessWilliamson@compuserve.com

Divisional Finance Director

M4 Corridor — **£70,000 package**

Following a substantial restructuring, this leading British Plc is developing its worldwide technical services operations. It now requires an ambitious, energetic, 'change agent' for its £60m turnover, facilities services division. A dominant player in its field, this challenging and exciting business, delivers specialised services to blue chip clients, through a network of offices and manned sites nationwide.

The Role:

- Lead, support and motivate the finance team through a period of change and development.
- Report to the Managing Director, with a focus on adding value to the business through the provision of quality management information and improved efficiency in business processes.
- Develop rigorous financial controls and procedures designed to improve performance standards.

The Candidate:

- Graduate, qualified accountant with a minimum of eight years PQE, ideally gained with a forward thinking, service driven organisation.
- Flexible, proactive approach and sharp mind; combining strong technical expertise with a commercial perspective.
- Ability to communicate effectively at all levels across the organisation with proven staff management skills.

Please write in confidence, with full career and current salary details, quoting reference SJW/1626FT

Tel: 0171 499 8811 Fax: 0171 670 3410
e-mail Ellis-jonesR@odgers.com

odgers

7 Curzon Street,
London W1Y 7FL

FINANCIAL TIMES

les Echos
Le Quotidien de l'Economie

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Karl Loynton on +44 171 873 3694

Advanced engineering...advanced finance

Finance Manager

£attractive package — **Czech Republic**

Our client is a world leader in the design, manufacture and supply of advanced engineering systems, products and services to the world's automotive and aerospace industries. The company's success has been built upon its innovative engineering expertise, financial controls over operations and commitment to delivering superior and sustainable returns to its shareholders.

Reporting to, but working closely alongside the Plant Manager, the Finance Manager will provide financial analysis and business support to operations and produce timely and accurate reports. All aspects of cash management, compliance with company financial policies and procedures and Czech statutory accounting requirements are within your remit.

Ideally you will be a graduate, ACMA (or equivalent) qualified, with 5 years' experience in a manufacturing environment, IT-literacy, good commercial awareness, interpersonal skills with the ability to play a leading role in a satellite operation are essential. Knowledge of the Czech or German language would be useful, but you must be prepared to learn Czech.

In the first instance, please send your full CV and current salary details to Roger Haggerty, Managing Director, Alba Selection Ltd, Grays Court, 15 High Street, Harborne, Birmingham B17 9NT. Tel: +44 (0) 121 427 8800 (24 hrs answering) or Fax: +44 (0) 121 427 8135 or E-mail: rhaggerty@albagroup.co.uk

ALBA SELECTION LTD

GROUP FINANCIAL CONTROLLER

£50-55,000 + Car + Bonus

Our client is a major international player in the design and manufacture of innovative and advanced technology products. The company, which floated in 1996, has a market capitalisation of £230 million and continues towards its goal of achieving market leadership in a range of niche sectors requiring unique levels of technology and customer focus.

Since flotation the group has grown both organically and through acquisition and now employs over 2000 people worldwide. The business places a key emphasis on investment in research and development as well as the attraction and retention of high calibre individuals who have the ability to drive the business forward. Due to internal promotion, the company now requires a highly skilled and value adding Group Financial Controller who will work closely with the Finance Director.

www.fssfinancial.co.uk

For further information about this role, please call Howard Bentwood on 0171 20[illegible] at FSS Financial, Charlotte House, 14 Windmill Street, London. W1P 2DY, fax: 017[illegible]

FSS FINANCIAL

FINANCIAL CONTROLLER

Northern Home Counties

To £35,000 + Car + Exceptional Bonus + Benefits

With UK turnover in excess of £800m and a parent company with global operations, our client is a leading multi-site retailer and distributor of high profile branded products. The business is seeking to strengthen its finance function at one of its operational sites based in the Northern Home Counties.

Being part of the local senior management team and reporting to the Group Financial Controller, you will have the ability and foresight to take this ambitious company through their latest phase of growth with specific responsibility for their contract leasing business.

Specific key areas of the role will encompass the following:

- provision and ongoing development of detailed operational management information;
- ensuring the integrity of all financial reporting on a local basis with particular emphasis to Group and Statutory guidelines;
- strategic and commercial input into business decision making for the contract leasing market;
- ongoing motivation and development of subordinate staff;
- implementation of a sophisticated computer system.

To be successful in this role you will have to demonstrate a sound understanding of the contract leasing market in addition to being a hands-on versatile finance professional. You are a highly motivated self-starter, possessing strong technical knowledge and confident communication skills. You will relish the opportunity to demonstrate your commercial acumen in a highly competitive, fast moving, customer focused marketplace.

In the first instance, please contact, in complete confidence, Richard Baker ACMA or Paril Kotecha ACMA on 01727 840660 (eves/w'ends 0973 226749 or 0956 935919). Alternatively, please send your full CV, including the details of your current remuneration, to them at HW Harrison Willis, 47 London Road, St. Albans, Herts AL1 1LJ. Fax: 01727 840662. E-mail: richard.baker@hwgroup.com Internet: www.hwgroup.com

HW | HARRISON WILLIS

HW GROUP

BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • EDINBURGH • GUILDFORD
LEEDS • LONDON • MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

Constructing the future for Tesco.

Director - Property Finance

Hertfordshire — **Six-figure package**

Tesco is the country's leading food retailer and has twice been voted the UK's 'Most Admired Company' by the business community. This success has been underpinned by a property development programme which now amounts to an asset base in excess of £6 billion, and which involves a number of significant joint ventures with leading property companies. Determined to build on this strength, we plan to invest over £500 million a year on both new stores and major refits, extensions.

Working directly with the Property Director and the Board, this senior role will involve responsibility for shaping and delivering a property strategy which ensures excellent value for both our customers and shareholders. To succeed, you'll need to be able to challenge conventional thinking, and demonstrate the drive and influencing skills vital to ensuring that step change opportunities are achieved.

This is a unique opportunity to join Tesco at such a senior level and provides the platform to develop to the highest levels in the UK's most progressive retail business. Together with the credibility and expertise to operate at the most senior levels, you'll need the vision and authority to challenge the status quo. Professionally qualified, and with experience of delivering and evaluating significant capital programmes, you'll need to be able to offer inspirational leadership and a real flair for people management.

If you think you could make an impact on Tesco, make an impact on our recruitment advisors. Contact Chris McCusker at CMC Consulting Ltd, 53 London Road, St Albans, Herts AL1 1LJ. Telephone: 01727 859111. Fax: 01727 859888. E-mail: cm@cmcconsulting.demon.co.uk

TESCO

Tesco is an equal opportunities employer

FINANCIAL DIRECTOR

London

Substantial package to attract the very best

ITEL

ITEL is one of the television industry's top distributors of programming. Its reputation and performance have secured it an impressive list of clients, selling programmes for some of the world's top international producers. The company, based in the heart of London's West End and with a sales office in Los Angeles, is additionally involved in merchandising, publishing, multi-media and character licensing. Founded in 1982, it is jointly owned by United News & Media and Time Warner.

As a key feature of the company's strategic development, the Board has identified the need to appoint an exceptional finance individual, with commercial flair, to strengthen their senior management team. The emphasis of the role will be to:

- provide firm and effective management of the finance and IT functions;
- provide financial advice on managing the company's growth, investment in programming and competitive pressures;
- enhance the commercial and strategic direction of the business;
- ensure that high standards and best practice are established.

In such a position, the responsibilities will inevitably be broad and you will be expected to make a positive contribution to decision making across the entire business.

The successful candidate will be an experienced graduate qualified accountant of high intellect, whose background will ideally include experience within an international media and/or distribution organisation. The ability to make a major commercial contribution to the business is essential, as are the leadership skills to manage and motivate a team. You will possess a strong background in financial management and will have already operated at board level. The role demands high levels of commitment, drive and vision, and in return offers an outstanding salary and competitive package in a fast changing environment.

In the first instance, please contact, in complete confidence, John Rose or Helen Callon on 0171 629 4463. Alternatively, please send your full CV, including the details of your current remuneration, to them at HW Harrison Willis, Cardinal House, 39-40 Albemarle Street, London W1X 4ND. Fax: 0171 493 6107. E-mail: john.rose@hwgroup.com Internet: www.hwgroup.com

HW | HARRISON WILLIS

HW GROUP

BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • EDINBURGH • GUILDFORD
LEEDS • LONDON • MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

UK FINANCIAL CONTROLLER (SALES/SERVICE)

Berkshire

£38-45,000 + Car

Our client leads the world in its niche market, manufacturing high value capital equipment. The UK subsidiary imports, sells and distributes products to an established base of blue chip clients. With an unrivalled commitment to customer service and ambitious plans for expansion a role has been created for a talented finance professional to play an important part in the growth development and control of its business.

Reporting to the Managing Director with a dotted line into European finance, responsibilities will include:

- timely management reporting and financial control;
- management and development of the budget/forecast process;
- full responsibility for IT;
- presentations and negotiation with clients;
- management of a small finance team;
- influencing commercial decisions and business development from a financial perspective.

As a qualified Accountant you will possess financial and business experience, ideally gained in a sales/service industry. You will need tenacity, drive and the ability to deal with finance/non-finance staff at all levels.

A European language would be an advantage although not a pre-requisite. Flexibility and team player skills are essential together with the desire to grow with the business. Prospects are excellent!

In the first instance, please contact, in complete confidence, Jeremy Downes or Louise Hamilton on 0118 939 1003. Alternatively, please send your full CV, including the details of your current remuneration, to HW Harrison Willis, 15 Station Road, Reading, Berks RG1 1LG. Fax: 0118 939 3331. E-mail: jerrydo@hwgroup.com Internet: www.hwgroup.com

HW | HARRISON WILLIS

HW GROUP

BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • EDINBURGH • GUILDFORD
LEEDS • LONDON • MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

ACCOUNTING SERVICES MANAGER

WEST YORKSHIRE — **TO £45,000, CAR, BONUS, BENEFITS**

Yorkshire Water Services, a substantial company in its own right, is engaged in the supply of clean water and the treatment and disposal of waste water. Turnover in 1998 was £549m. The company has invested heavily in improving its asset base and has introduced a number of innovative customer service initiatives achieving exceptionally high quality standards. A high profile vacancy has arisen within the finance department owing to retirement. The role reports to the Director of Finance and will require a talented qualified accountant who is organised, practical, proactive and energetic in the pursuit of change. Responsibilities include managing a large team in delivering a range of financial transaction processing activities, developing performance measures to support business decisions, managing an effective payroll for the group and the improvement of internal control standards. The business is about to implement a major new accounting system which will help redefine the role of the department. Strength of character and mind, and managerial ability are prerequisites at a time when significant changes to systems and procedures are planned. **We are handling this assignment exclusively. Apply in writing, reference FT0036L to One York Place, Leeds LS1 2DR. Tel: 0113 247 0170. Fax: 0113 247 0191.**

Email: ft0036l@hitchenor-maher.co.uk
Website: www.hitchenor-maher.co.uk

HITCHENOR MAHER FINANCIAL

Recruitment Consultants

LEEDS MANCHESTER NEW YORK

Speculate and accumulate.

Accountancy Appointments every Thursday in the FT.

For more information on advertising opportunities please call:
Tel: +44 171 873 3351
Fax: +44 171 873 4331

International Auditor
Bilingual English / French
London - Grenoble

Our Group (2 400 people, M£ 250) is the world's leading manufacturer and operator of specific automatic machines on its market. Owing to our continued growth, due to the development of new products and recent acquisitions, we intend to reinforce our internal audit team. Your responsibilities will be the following :

- conduct financial and compliance audits of our operations and processes to assess the effectiveness of controls and accuracy of financial statements,
- provide the general management with the reassurance that business risk is at an operational minimum,
- recommend and contribute to company performance,
- help implementing a programme of change of management methods,
- ensure reliability and integrity of financial information, being the basis of a successful and progressive business.

You are qualified accountant or university graduate in business (or equivalent). You have a first experience in external audit with a Big Five firm. You know the state-of-the art auditing techniques and methodologies within an international environment. You have strong communication skills and a good resistance to pressure. You are totally fluent in English and in French. Lastly, you are prepared to travel extensively. Please send your application mentioning your present salary under the reference 0894/PB/AF to Pascale BONNET - PA Consulting Group - 19, boulevard Eugène Deruelle - 69003 LYON France - Tél. 33.4.72.60.60.90. You can also write to pascale.bonnet@pa-consulting.com or fill our application form on our site www.pa-jobworld.com

Global Recruitment

PA Consulting Group

IT Appointments

SUPPLIER OF TREASURY SYSTEMS

S&H Consulting Limited

Head of European Operations

£six-figure package — London based

Our client is one of the leading suppliers of Treasury Management Systems, operating in global markets with a strong established international presence. It provides front-end trading systems to banks and financial institutions for FX, money markets, fixed income and derivatives.

Recent growth and expansion has created an opportunity to recruit a Head of European Operations based in London. This is a senior position within the organisation which has a number of demanding responsibilities which include:

- Managing and developing the European Implementation and Support teams in London
- Developing the Consultancy business for Europe
- All administrative matters regarding the European Office
- Working closely with the North American and Asia Pacific Regional Managers to provide global implementation and support of the business.

You will have been involved with systems for treasury, trading and risk and currently be working with a software vendor or consultancy firm. You will possess natural leadership qualities in terms of managing major projects and multiple initiatives as well as managing and motivating people who are part of your team.

A results orientated individual, you will be commercially aware in terms of service levels, consultancy revenues, contract negotiation and resolution of issues. Well qualified academically and with good interpersonal skills, you will have the ability to communicate effectively at all levels.

A high degree of professionalism and enthusiasm with a delivery-oriented approach is essential.

Your initiative and innovative ideas are welcome as you will contribute to the future growth, success and vision of the organisation.

This position will be well rewarded and if you are able to meet this challenge and have the qualities and experience to realise this career opportunity, please send your CV to: Alan Summers quoting reference FT0299 at S&H Consulting Limited, Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel (0171) 481 1171. E-mail: alan@shconsulting.co.uk

Specialist Recruitment for the Banking and Finance Sector and the Suppliers to that Sector

AUDIT / BANKING PROFESSIONALS
(Preferably with Trust Services or IT Systems Knowledge)
Geneva

The EFG Bank European Financial Group is a Swiss based International Financial Group. The Banks, which comprise the EFG Bank Group focus mainly on Private Banking and Asset Management, and in Greece on Retail and Corporate Banking and related financial services. The Group has grown recently through the acquisition and investment in banking institutions.

EFG Audit & Consulting Services SA (ACS) is the Group Internal Audit function headquartered in Geneva, Switzerland.

Using a modern methodology and approach to review the Group's activities, we are building an international team of audit professionals.

With the necessary attitude, creativity and drive, they will make a positive and constructive contribution to the evolution of the business and in particular to the control environment within management and business processes.

Candidates shall have a sound knowledge in banking (minimum 5 years of experience), preferably with experience in trust services, as well as an auditing or consulting background or in IT Systems auditing.

To maintain an integrated and global view of business, international assignments (50%) and engagement in interdisciplinary teams are encouraged. Multicultural skills and a multidimensional experience will characterise valuable team members of the international ACS organisation.

In return for your commitment, we will offer you a competitive remuneration, plus an ideal environment for personal development.

To apply, please forward a covering letter and CV to:
Peter F. Kaelin, Managing Director,
EFG Audit & Consulting Services SA, 94, Rue du Rhône, 1211 Geneva 3, Switzerland

EFG Audit & Consulting Services

DEVELOPERS

LEADING EUROPEAN INVESTMENT BANK
CENTRAL LONDON

EQUITY DERIVATIVES IT

TO £60K + BONUS
VC++, NT, COM/DCOM, SQL, ATL/STL

To completely re-engineer the equity derivative and swaps trading desks including building the model framework, trading systems and integration to mid-office risk control. You will need a minimum of 12 months' development/software engineering experience developing to tight time-scales together with a highly numerate degree and excellent communication skills. This bank is seeking a number of top-class Developers and Project Managers.

FIXED INCOME ANALYTICS

TO £70K + BONUS
C++, UNIX, CORBA

To join a small global team developing pricing, risk systems and libraries for new exotic fixed income and interest rate products. You will need a minimum of 12 months' front-office experience. A good maths related degree is essential as is your enthusiasm and a flexible approach to problem solving.

In the strictest confidence, please send a full CV to Craig Millar at Millar Associates, 6 Sloane Street, Knightsbridge, London SW1X 9LE. Please quote reference FT2110. Tel: 0171 823 2222. Fax: 0171 823 2208. E-mail: millarassociates@sw1.telme.com

Millar Associates
INTERNATIONAL SEARCH & SELECTION
FT2310

INVESTMENT BANKING

QUANTITATIVE DEVELOPER
£40K - £65K + BONUS
Premier Derivative's house seek a Financial Engineer for their quantitative research team. The role includes the development of pricing models for structured equity and hybrid Derivatives. Additionally, you will implement pricing schemes for various exotic options, including convertible bonds. The successful candidate will be highly numerate, have a good understanding of pricing issues and have solid programming skills. This is a fantastic career move for an exceptionally high calibre candidate.

JUNIOR PRODUCT DEVELOPER - EXOTIC OPTIONS
VISUAL BASIC/C++/MATHS
£30K-£35K + BONUS
Recent graduate with up to two years relevant experience in either Investment Banking or Software Development is required by this leading Investment Bank to work in their Front Office with traders and structurers. You will develop and implement mathematical models for exotic option products and assist in structuring and pricing one-off option deals. You need a first class degree in mathematics, physics or engineering plus the drive and determination to excel in this challenging role. This unique opportunity will provide the successful candidate with an accelerated career path.

RISK ANALYST/INTEREST RATE
£40K - £60K + BONUS
Leading quantitative research team of top Investment Bank requires a Front Office Risk Analyst. This 'hybrid' role will incorporate analysis of key market data to identify market behavior and risk parameters, development of risk reports and the development of Front Office pricing tools. The successful candidate will be a strong communicator, highly numerate (with a strong degree from a top university) and will have experience of Excel VBA. This is a highly rewarding role with a swift career path for the right candidate.

TRADING TOOLS DEVELOPER
EXCEL/VB/VBA/SQL/RISK MANAGEMENT
£40K-£65K + BONUS
Premier Investment Bank seek a Developer to join their Global Convertibles Trading Group to provide short term tactical IT solutions. Based on the Trading Floor you will provide pricing and analytics tools for the Interest Rate Derivatives Desk. The successful candidate will have a strong academic background coupled with a sound understanding of Equity Interest Rate Derivative Products and have at least 1 years experience working within a similar environment. This prestigious organisation guarantees rapid career progression for the right candidate.

C++/MATHS
£50K - £70K + SUBSTANTIAL BONUS
Top Wall Street market maker seeks a high calibre Financial Engineer for their elite modeling group. Based on the trading floor you will assist in the development of very advanced quantitative exotic options models using C++. Interacting both with quantitative research and the traders, you will build innovative pricing tools which requires a high level of numerical ability. Preference will be given to candidates with Fixed Income knowledge. Extremely bright candidates with effective communications skills need only apply.

SENIOR QUANTITATIVE DEVELOPER
OO TECHNOLOGY/EQUITY DERIVATIVES
£30K - £45K + BONUS
Unique Financial Software House seeks a Quantitative Developer to build pricing engines and analytics tools utilising relational and object based technology. You will build a number of leading edge tools and products for the world's financial markets. Excellent opportunities for rapid career growth, leading to project management. You need to have at least 2 years quantitative experience plus a relevant PHD

ARc

The people the City turn to first.

Many of our clients also offer Contract opportunities requiring the above skills.

ARC are preferred suppliers to the top financial institutions. This is a selection of current opportunities in the City. We have many more. Our consultants have an in-depth understanding of this market and how it can work best for you, so please call Paul Wilkins or Amanda Crossland on 0171 287 2525 to discuss your options. Alternatively please send, fax or e-mail your CV to us at: ARC Recruitment, 15-16 New Burlington St, London W1X 1FF. Fax: 0171 287 9888. E-mail: arc@itjobs.co.uk

IT Recruitment Consultants

Permanent • Contract • Campaign

Parallel International Limited and CitiElite Resources Limited represent the skills brokerage division of the renowned LNI Group. LNI Group provides niche IT City recruitment services, software products and consultancy to the world's premier investment banking organisations and their associated service providers.

Established as a market leader in consultative selling, we are seeking experienced and talented recruitment consultants for our next phase of growth. We offer campaign, contract, permanent and executive search services to our clients.

Our culture provides an exciting and challenging workplace. Successful consultants develop a deep understanding of the City business environments, technologies and commercial awareness and utilise their knowledge of IT recruitment to provide an interactive service to our clients. Together this powerful skills mix allows us to leapfrog our competition.

We need people who can first and foremost operate, manage and develop their own recruitment book. You must be capable of developing conceptual strategies that are elegant, yet achieve bottom line success. Your success to date may have been constrained by over zealous micro management or an accepted style of operation that is ingrained and unlikely to change.

Define, construct and implement your own future.

For a confidential discussion please call 0171 236 4288 or 0171 248 0393 quoting reference FT/1911/03/99/PAB/GRL.

parallel INTERNATIONAL

LNI
1 Groveland Court, Bow Lane, London EC4M 9EH
info@citielite.co.uk
Web Site: http://www.citielite.co.uk
A Member of the LNI group

CitiElite RESOURCES

employees@your.fingertips

IT Appointments in the FT. Includes Developers, Business Analysts and Project Managers.
For more information please call:
Tel: +44 171 873 4027 Fax: +44 171 873 4331

BANKING FINANCE & GENERAL APPOINTMENTS

STRATEGIC BUSINESS DEVELOPMENT
WITHIN CLEARING AND SETTLEMENT

EXCELLENT PACKAGE FOR THE RIGHT CANDIDATE

The Background

OM is one of the world's most innovative exchanges and also the world's leading supplier of transaction technology. The group offers transaction related products and services in equities, bonds and commodities, through its exchanges OM Stockholm Exchange and OM London Exchange and technology related products and services through its operating subsidiary OM Technology.

OM Group is establishing a strategic business development company within the transaction business area. The department will be located both in London and Stockholm.

The Task

One area of development work is international clearing and settlement, primarily in the equity markets. OM realises that the clearing and settlement area will be even more important in the future and this competence is therefore essential in order to reach its objectives.

Future development will focus on creating efficiency in the transaction chain, new products and better leverage on the clearing fund.

The Profile

The successful candidate will be responsible for the strategic business development of the clearing and settlement area in OM. As such, he/she will also work closely together with the current clearing operations in OM's offices. Today OM clears and settles cash, options, futures, forwards and swaps based on equity and fixed income instruments, pulp and electricity.

We are looking for a person who has extensive experience of international clearing and settlement, primarily in equities. This person should have a broad understanding of the international aspects of clearing and settlement and should also have been involved in the business at a strategic level.

He/she will have drive and an interest to develop new solutions for the European Financial Community.

Please send CV's and a covering letter quoting your current salary level to Gail Penrice, Personnel Manager, OM London Exchange Limited, 107 Cannon Street, London, EC4N 5AF.

OM

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

An International Development Finance Institution based in Vienna has established a window for the financing of ***private sector investments*** in developing countries, through debt or equity financing of projects or intermediary institutions, and has immediate and anticipated openings for:

- **Investment Bankers;**
- **Financial Analysts;**
- **Investment Lawyers.**

The candidates must demonstrate good academic background and extensive experience in such fields as: merchant banking, investments in emerging markets, project promotion and appraisal, development and evaluation of Financial Institutions and Investment Funds geared towards Small and Medium Scale Enterprises. The candidates may, according to their circumstances, opt for **fixed term contracts; permanent employment; short term consultation services.**

Good command of English is a requirement; knowledge of a second language (French, Spanish, Arabic) desirable. Competitive salaries and comprehensive benefits are offered. Qualified candidates may forward their Curriculum Vitae to:

Director of Administration and Personnel
P.O. Box 995
A-1011 Vienna
Austria

The London Branch of Westdeutsche Landesbank Girozentrale, one of the largest banks in Germany, is seeking a South East Asian High Yield Analyst to assist its High Yield Capital Markets team in London to facilitate the origination, structuring/pricing and launch of high yield bonds.

The Role:

Provision of broad support on all aspects of the high yield business, including:
Assistance in the preparation of issuer pitches/presentations
Qualitative and quantitative analysis of new issue opportunities
Transaction execution support/due diligence
Roadshow/investor presentation support

The Candidate:

The position is for entry level into investment banking and is therefore appropriate for:
Recent graduates with good university degrees
Individuals with excellent local market knowledge of South East Asia, spanning political and economic history
Individuals with previous experience of research and analysis

This position offers excellent career prospects in an international environment with a competitive remuneration package including the usual banking benefits.

Applications with full curriculum vitae, quoting reference number 99SEA, to:-

Kerri Leggett,
Human Resources
Westdeutsche Landesbank Girozentrale
51 Moorgate
LONDON EC2R 6 AE

WestLB

INVESTMENT COMMISSIONER
Northern and Central Europe
(Based in Frankfurt)

INVEST AUSTRALIA

Invest Australia, the Australian government's national investment agency, is seeking an Investment Commissioner to promote and attract direct investment into Australia from Northern and Central Europe.

Based in Frankfurt, the successful applicant will be familiar with the factors driving foreign direct investment by multinational companies, will have experience in corporate advisory or corporate finance and have proven business development and business investment experience.

The position requires extensive knowledge and experience of the Australian and German business environments, highly developed analytical and marketing skills and the ability to gain access and make presentations to business leaders at the highest levels. The successful candidate will preferably speak fluent German/English, have relevant tertiary qualifications and knowledge of the business environment in other European countries.

Appointment will be made on a three year contract, with the possibility of extension subject to performance. An attractive remuneration package will be offered to the successful applicant, commensurate with qualifications and experience. Invest Australia offers equal opportunity employment conditions.

Initial information and selection documentation can be obtained from Frankfurt by phone (49-69) 2739 0920 or by fax (49-69) 250 776. Further enquiries should be directed to Peter Collens in Australia by phone (61-3) 9284 3285. Applications will be treated in the strictest confidence and should be forwarded by Friday, 12 March 1999:

Diane Novak - Office of the Executive General Manager Australian Consulate-General
Gutleutstrasse 85
60329 FRANKFURT/Main
Diane.Novak@austrade.gov.au

Rec... Net.Works

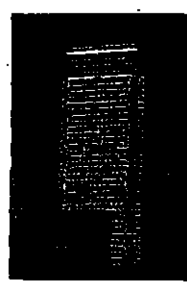
FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1999 FRIDAY FEBRUARY 19 1999 Week 7

INSIDE

Clampdown on animal antibiotics
The daily feeding of antibiotics to animals, widespread in North America and most of Europe, is being blamed for breeding drug-resistant "superbugs". The EU and US are clamping down on their use as scientists warn they are putting humans at risk. Page 26

Pay deal settles Frankfurt's nerves
Lifted by the end to the IG Metall union pay dispute, the Frankfurt stock exchange regained half of Wednesday's losses with the Xetra Dax index improving 50.67 to 4,871.09. Page 36; Editorial Comment, Page 15

Rise of the 'city-within-a-city'



Shareholders of Canary Wharf, the 34ha office complex in London's former dock area, are considering a public offering of shares just three years after the project recovered from bankruptcy. But it is not yet a fully-fledged "city-within-a-city" like New York's Rockefeller centre. That requires superb transport links and the creation of a genuine community. Property, Page 20

Heinz attempts a transformation
William Johnson, chief executive of H.J. Heinz, says reorganising the group along product lines rather than by geographic region will be "the greatest transformation in the history of the company". But his is not the first attempt to breathe new life into the food group. Page 20

Investors lose faith in Prague
Emerging market fund managers have lost patience with the Czech government and are cutting their holdings of the country's stocks. The Social Democrats have failed to convince them that they have a strategy to pull the economy out of recession. Page 36

Dollar punches through recent highs
The dollar continued to rise against the yen, reaching a 10-week high late in the London session before easing back slightly. Page 25

Philippine banks urged to lend
Banks in the Philippines are coming under increasing pressure to kickstart the country's subdued economy by deploying surplus liquidity into new lending. But there is little demand from quality borrowers. Page 21

Investors launch African mining fund
A group of investors has launched a fund to invest in Africa's mining sector. Page 26

Japan moves to calm bond markets
The Japanese finance ministry sought to calm bond markets by saying government bonds would be issued in line with market needs in the new fiscal year. Page 24

COMPANIES IN THIS ISSUE

CROSSWORD, Page 26

MARKET STATISTICS

Tractebel chief pressed to resign

Largest investor gives ultimatum to energy group's head

By Neil Buckley in Brussels

Baron Philippe Bodson has been given an ultimatum to step down as chief executive of Tractebel, the Belgian energy group, or face moves by the group's largest shareholder to oust him.

Mr Bodson was considering his position last night after a meeting at Tractebel's Brussels head office of its strategy committee – comprising seven of its 25 board directors – to discuss the boardroom crisis.

Gérard Mestrallet, chief executive of Suez Lyonnaise des Eaux, the French utilities group which owns 50.3 per cent of Tractebel, also met senior managers to reassure them about Tractebel's future.

Events have come to a head only days after Mr Bodson returned from a Himalayan holiday, but follow weeks of Belgian media speculation that he was under pressure to resign.

All parties refused to comment yesterday. But Mr Bodson is known to have differed with Suez Lyonnaise over strategy for Tractebel, which he has transformed from a holding company into an international energy group that is one of Belgium's most important corporate assets.

The two have clashed particularly over Mr Bodson's ambition to merge Tractebel with Electrabel and Distrigaz, its partly-owned Belgian electricity and gas businesses.

But the trigger for calls for his dismissal seems to be Mr Bodson's defence of his own autonomy and refusal to work closely with Suez.

Mr Bodson had meetings on Monday with Mr Mestrallet and Viscount Etienne Davignon, chairman of Société Générale de Belgique, Suez's wholly-owned Belgian subsidiary that is the vehicle for its Tractebel stake.

Both are understood to have put pressure on Mr Bodson to stand down because of a "lack of group spirit" and what Suez considers "lack of trust" between the Belgian chief and his biggest shareholder.

If Mr Bodson does not accept the offer to resign with a generous pay-off, a full Tractebel board meeting is expected to be convened to vote on his removal. Jean-Pierre Hansen, Electrabel chief executive, is tipped to succeed him.

Mr Bodson's removal could trigger a backlash among minority shareholders who have enjoyed handsome returns – Tractebel's shares have gained more than 100 per cent since January 1998 and have comfortably outperformed the European utilities sector.

However, the Belgian government – which took steps to safeguard Tractebel's autonomy when France's then Compagnie de Suez merged with utility group Lyonnaise des Eaux in 1997 – has been largely quiet. In Mr Bodson's 10 years at Tractebel, turnover has nearly doubled from BFr205bn (€5bn, $5.7bn) to BFr385bn, as it has evolved from a ragbag holding company into a fast-growing energy group and the world's third biggest independent power producer.

Honda's 20% rise in profits widens gap over rivals

By Alexandra Harney in Tokyo

Honda Motor, the Japanese carmaker, lengthened its lead over its domestic rivals in the third quarter by raising net profits nearly 20 per cent, in spite of the collapse in Japanese car sales.

However, the company warned it could be adversely affected by the appreciation of the yen. Satoshi Aoki, managing director, said that consolidated group sales would probably be at least Y100bn ($862m) below the Y6,400bn already forecast for the full year.

Analysts said Honda had become too dependent on the US market and sales in other regions were slipping. Tsuyoshi Mochimaru, analyst at Dresdner Kleinwort Benson, estimated that at least 90 per cent of the group's last-quarter profits came from the US.

Robust US sales lifted profits before taxes and exceptionals by 11.5 per cent to Y136bn in the nine months to December 31. But gains in the US were offset by a sharp decline in Japan, leading to a 3.9 per cent fall in turnover to Y1,494.8bn – the first drop in sales in the third quarter since 1995.

Analysts recently increased their earnings forecasts for Honda, based on performance in the US and the positive impact of exchange rates in the third quarter. Peter Boardman, auto analyst at Warburg Dillon Read, expects net profits at Honda in the year to March to exceed the group's forecast of Y280bn. Mr Boardman expects net earnings of Y300bn on turnover of Y6,462bn.

The results highlighted the growing gap between the weak and strong of Japan's big five carmakers, amid the industry's sharpest contraction in demand since records began in the 1960s. While Honda and Toyota Motor have seen record profits and are expanding production and sales networks overseas, Nissan and Mitsubishi Motors are expecting huge losses and are scaling back production capacity. Mazda, which is owned 33.4 per cent by Ford, is rebuilding from years of losses.

Honda said favourable exchange rates were the main factor behind the third quarter performance, which marked three years of record growth.

Duke bids $2.1bn for 51% of Endesa Chile

By Mark Mulligan in Santiago and Hilary Durgin in Houston

Duke Energy, the US utilities group, yesterday ended months of speculation by launching a $2.1bn bid for a controlling 51 per cent stake in Endesa Chile, the country's largest electricity generator and one of the most important players in Latin America's rapidly liberalising energy market.

The offer raises the stakes in an intensifying battle between US and European energy groups. These are jockeying to consolidate positions in the region ahead of a privatisation calendar this year that includes sales in Brazil, Peru and Central America.

Endesa of Spain, which has no legal relationship with the Chilean group, last month launched a $1.45bn bid to double its 32 per cent stake in Enersis, the country's largest electricity distributor and one of the biggest operators in Latin America.

The Spanish group also this month attempted to block the sale by Enersis of a 25.3 per cent stake in Endesa Chile. It said it would revoke the sale if it succeeded in its own takeover bid. Enersis last month held talks with Duke about a trade sale of the holding, valued at about $1bn, but the US group withdrew fearing a bidding war.

Although yesterday's offer is targeted mainly at minority shareholders, Duke officials said they would be happy to see Enersis tender all or some of its stake in the generator.

Bruce Williamsen, president and chief executive of Duke Energy International, a wholly-owned subsidiary, said in Santiago yesterday that the takeover, if cleared, would create "the first truly regional power generating energy marketing force in Latin America".

Duke's offer, at 250 pesos per share and 7,500 pesos per American Depositary Receipt (each ADR represents 30 shares), equates to an 18.5 per cent premium over Wednesday's closing price on the Santiago Bolsa, but a 66 per cent improvement on a month ago, before speculation about deals in Chile's electricity sector began to offset regional unease in the wake of the Brazil's devaluation.

Duke is already present in Argentina, Chile, Ecuador and Peru. More than half of Endesa Chile's $16bn in assets are held outside its home country, in Argentina, Brazil, Colombia and Peru.

The company would also consider taking as much as 65 per cent of Endesa Chile's equity, assuming that shareholders vote in favour of lifting current legal limits from 26 per cent at an extraordinary general meeting scheduled for next month.

Duke, advised by CSFB, sees the Endesa-Chile deal as a vehicle to transfer the strategy it has been successfully following in the US to its international operations.

Endesa's far-flung power generation operations could provide Duke with an entry to develop gas transportation or energy merchant services in a variety of markets, similar to what it has done in the United States.

The North Carolina-based energy company, which has more than $26bn in assets, has built an integrated energy business in the US.

Glaxo Wellcome executives (from left) Robert Ingram, Sir Richard Sykes and John Coombe announcing the company's results Picture: Jason Orton

Glaxo predicts return to growth this year

By David Pilling in London

Glaxo Wellcome has forecast double-digit growth in profits and sales this year after maintaining flat earnings for 1998 despite suffering a £800m ($1.3bn) drop in sales of Zantac, its once best-selling ulcer drug.

"If we take Zantac out, 91 per cent of our business is growing at 13 per cent," said Sir Richard Sykes, chairman of the UK drugs group. "We have been able to absorb the largest single patent expiry our industry has ever seen."

Glaxo yesterday reported pre-tax profits down 1 per cent to £2.671bn ($4.35bn) (£2.686bn) on flat sales of £7.98bn. In constant currency terms, profits rose 5 per cent and sales 4 per cent. Analysts praised Glaxo for its management of the patent expiries of Zantac and Zovirax, a herpes treatment. But some questioned whether Glaxo's pipeline of products was powerful enough to underpin a strong performance beyond 2000. Although Glaxo dominates the respiratory market, which accounts for 27 per cent of its sales, analysts said it faced a stiffer challenge in other areas.

The HIV market, one of Glaxo's strongest franchises, appears to be reaching saturation point as patients in the US and Europe bring the disease under control. Sales of anti-virals, which account for 17 per cent of Glaxo sales, fell 2 per cent to £1.35bn. In central nervous system drugs, Glaxo's third largest category, Imitrex, the dominant drug in the US migraine market, faces growing competition. Glaxo may have to spend heavily on direct-to-consumer advertising to protect market share.

Sir Richard pointed to Seretide, a combination asthma treatment, Relenza, an inhaled flu product, and Zeffix, a hepatitis B tablet that has been approved in China, as drivers of growth. He admitted that, with sales of £8bn, the company would need to find a huge blockbuster to "have a significant effect on our volume".

The trading margin dropped from 35.4 per cent to 33.6 per cent, but Glaxo predicted it would hold this steady in 1999. Excluding a change in accounting practice, which capitalises computer software, margins would have slipped further to 32.7 per cent.

Sir Richard, who last year failed to pull off an agreed merger with Anglo-American rival SmithKline Beecham, said Glaxo was still big enough to compete, though it would always remain alive to strategic opportunities.

Earnings per share, including the accounting change, were 51.1p (52p). Glaxo announced a full-year dividend of 36p (35p). The shares rose 21p to £20.14.

Lex, Page 16

Wall St banker buys back group from NatWest

By William Lewis in New York and Clay Harris in London

Eric Gleacher, one of Wall Street's best-known bankers, yesterday bought back his company from National Westminster Bank, the UK retail banking group.

The deal ends 3¾ years of ownership by NatWest of the Gleacher group. In 1995 NatWest paid $135m to acquire Gleacher as part of its ambitious attempt to build a global investment bank. Those plans have since collapsed. Yesterday Mr Gleacher and his colleagues confirmed they had paid an undisclosed sum to regain control of NatWest's US corporate advisory arm.

"Relations have been amicable, profitability has been outstanding but, with the major change in investment banking strategy, the rationale for us continuing to be together evaporated," said Mr Gleacher.

"The physical viability of being an owner is the most important ingredient of potential viability going forward and that's why we bought the business back," he added.

Mr Gleacher is best known as a merger and acquisitions banker, but the deal with NatWest includes three other business units built up by the group – high-yield, US acquisition finance and private equity.

Mr Gleacher set up his company in 1990 after several years as head of mergers and acquisitions at US investment bank Morgan Stanley.

As part of the deal with NatWest, Bank of Scotland, another UK retail banking group, will take a stake of just under 10 per cent in Gleacher. It will also provide financial backing for Gleacher's high-yield and acquisition finance units and has contributed an undisclosed amount to a new $180m private equity fund.

Gleacher's 100 staff achieved total revenues of about $125m in 1998, with acquisition finance and high-yield units contributing about 60 per cent and M&A 40 per cent. Profit, before compensation costs, was $113m.

NatWest is thought to have taken a small accounting loss on the disposal but said there would be no material impact on its 1999 results.

Gleacher and NatWest have been in discussions for several months, but the talks intensified last November when the employment contracts of Mr Gleacher and several other of the 20 partners ended.

The UK bank broke up NatWest Markets late in 1997 by selling its European equities business to Bankers Trust and the smaller derivatives arm to Deutsche Bank. In addition to Gleacher, it kept Hawkpoint Partners, a UK-based corporate advisory arm, and Greenwich NatWest, a debt markets business. Yesterday's disposal raises questions about their future.

Alton Irby, Hawkpoint's chief executive, said the relationship would be reviewed. Hawkpoint is likely to buy itself out of NatWest over two or three years. Mr Irby, who had planned to step down when a successor was found, has agreed to stay another three to five years.

INSURANCE TREND FOR LARGER COMPANIES TO AIM FOR ECONOMIES OF SCALE IS REINFORCED

Aegon buy lifts tempo in US life market

By John Authers in New York

Aegon's purchase of Transamerica speeds the trend in the US life insurance industry for the largest companies to gain scale, and focus on specific product lines.

In particular, Aegon said yesterday it was keen to build its presence in the corporate pension or 401(k) market, which has grown fast as the post-war "baby boom" generation has aged.

Both companies have small pensions businesses in the US, with Aegon holding about $12bn in assets, and Transamerica holding $6bn, mostly for small companies. Aegon said yesterday that any further acquisitions would be in this area.

Transamerica, based in San Francisco, has endured a significant corporate restructuring in the past few years, quitting its large consumer credit business to concentrate on life insurance and commercial lending and leasing. Its share price languished as a result and it did not surprise analysts that it was prepared to sell for a 35 per cent premium.

Both companies were previously in the second rank of US life insurers. Aegon ranked 11th, with $63.3bn in assets, according to AM Best, the rating agency, while Transamerica ranked 21st with $35.5bn.

The new entity will rank third, although with $98.6bn in assets it will be a long way behind Prudential Insurance of America (unrelated to the UK company of the same name) and Metropolitan Life. Both the Pru and MetLife are mutual and plan to float by the end of next year.

The Transamerica brand name is well known in the US, despite its slow growth in recent years, and this will help Aegon to grow in the US consumer savings market. Donald Shepard, head of Aegon's US unit, said in New York that the company expected to trade under the Transamerica name in the consumer market.

Keven Maloney, analyst at Moodys Investors Service, said: "Strategically it makes a lot of sense. Aegon has a large insurance company in the US but it doesn't have a well known brand name. If you are going to be in the top echelon of life insurers in the US you need a good name. The Transamerica name gives them something to build on."

Larry Altman, of Booz-Allen & Hamilton, the consultants, said: "This reflects the trend for consolidation in the life industry. Parts of it aren't growing, like life insurance, while others are growing gangbusters, like pensions. There's a combination of over- and under-capacity for a lot of companies, and there's a lot of realignment going on."

Analysts questioned whether Aegon would hold on to Transamerica's leasing, commercial lending and real estate businesses, which have had a volatile earnings record over the last few years, and jointly account for 40 per cent of the company's earnings.

Mr Shepard described these businesses as "non-core" but said they were well managed.

Previous examples of consolidation have seen a few companies, led by American General and Conseco, act as "consolidators" – buying a string of small life companies. A few larger companies, including Aetna and Cigna, have opted to leave life insurance in favour of health insurance.

Self-assured group on the way to the superleague

The Dutch insurer's $9.7bn takeover of Transamerica is another step into the lucrative US market, writes **Gordon Cramb**

Kees Storm was celebrating last night. But the event being marked by the Aegon chairman was his daughter's graduation rather than the $9.7bn takeover of Transamerica Corporation that the Dutch insurance group had just clinched.

Deals – though its agreement yesterday to buy the US group was by far the biggest – have become a way of life for Aegon. The company, formed from a five-way merger 15 years ago, has grown to be the Netherlands' biggest home-grown listed group. Only Royal Dutch/Shell has a higher market capitalisation.

From a modest, boxy, head office on the northern outskirts of The Hague – no match architecturally for Transamerica's San Francisco edifice – Aegon commands assets of more than $147bn. Of these, nearly $64bn are in the US. That reflects previous takeovers such as the 1997 acquisition of the insurance operations of Providian, a financial services group that was splitting itself up.

The new units contributed to growth, and Aegon shares gained 155 per cent last year, making the company the best performer among the top two dozen Amsterdam quoted stocks.

Aegon, while cultivating an unflashy image and careful on costs, has one of the most generous employee stock option plans in the Netherlands. It has a work-driven but open internal culture, where a chat is preferred to a memo, and business units are encouraged to develop new products without the need for central approval.

The top few dozen executives know not only that their quarterly performance assessments are a big factor in determining their annual bonus, but that colleagues at their level will be circulated with how each one has done.

Aegon capped a record 41 per cent annual net profits growth in 1997 by being 45 per cent ahead in the first half of last year. But it said last November that it expected the result for all of 1998 to emerge only about 25 per cent higher.

Aegon concentrates on five markets: apart from the US and the Netherlands, it is active in the UK where it owns Scottish Equitable, and has sizeable operations in Spain and Hungary.

But most money has been put into the US. In Europe "things are very expensive," says Mr Storm, though the group is alert to possibilities. After failing to make headway in a takeover quest in Germany, it started there on its own instead, with a direct-sales life business, which is said to be breaking even.

And it has in recent years been opening life operations in Asian markets such as Taiwan and the Philippines. Among the tasks of Frank Herringer, the Transamerica chairman who is to join the Aegon board, will be to develop Aegon's business in the Asia-Pacific region.

Mr Storm has repeatedly rejected bancassurance – the idea that his group should merge with a commercial bank such as ABN Amro, so that its products can be sold through the bank's branch network.

Still, in buying Transamerica he inherits non-insurance operations ranging from commercial lending and equipment finance to leasing. About 21 per cent of Transamerica's $58.5bn assets are in such areas, and these brought in 32 per cent of its $6.43bn revenues last year, excluding annuities.

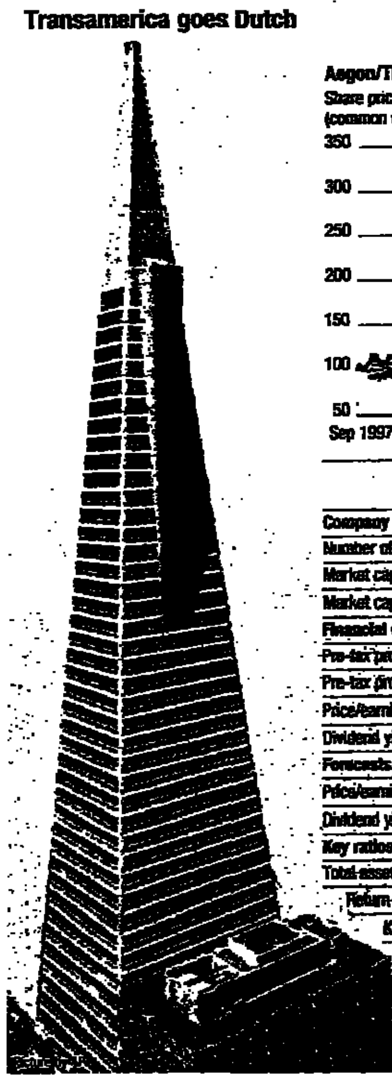
The group has not decided what to do with these. Describing the units as prosperous leaders of their market segments and with good management, Mr Storm adds: "We certainly don't feel burdened by also acquiring substantial non-insurance activities." Analysts expect they will be sold, but in no great hurry.

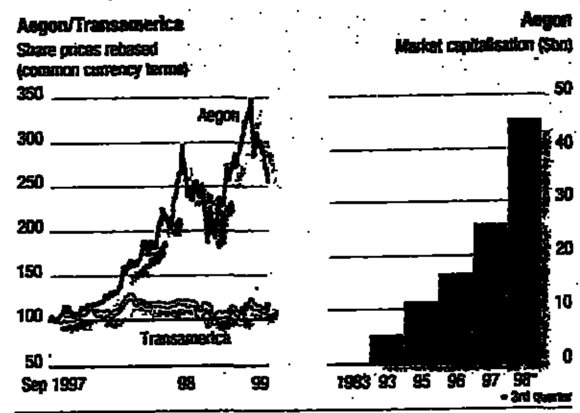
Life assurance, pensions and related savings and investment products make up 86 per cent of Aegon's business. Most of the remainder is in health cover and property and casualty insurance, largely within the Netherlands.

There it enjoys the protection of Vereniging Aegon, an association set up to protect its interests, which is the group's biggest shareholder. The foundation will see its stake initially diluted to 30 per cent but will build this back to 40 per cent over time. It will meanwhile help smooth Aegon's share price until completion of the Transamerica deal.

At that point, Aegon will have graduated to the US and world superleague.

Transamerica goes Dutch





	Aegon Insurance	Transamerica Insurance
Company size		
Number of employees	21,199	10,400
Market capitalisation (€bn)	49.325	8.17
Market capitalisation ($bn)	55.48	9.96
Financial data on 1997 year		
Pre-tax profit (€m)	1,274	602.08
Pre-tax profit ($m)	1,430	681.75
Price/earnings ratio	40.07	10.52
Dividend yield (%)	1.116	1.735
Forecasts 1998 results		
Price/earnings ratio	38.23	14.317
Dividend yield (%)	1.199	n/a
Key ratios		
Total assets/equity	15.18	10.48
Return on equity (%)	15.09	18.09
Key figures		
Assets ($bn)	135.21	58.50
Total revenues (excl annuities, $bn)	18.03	6.43
Premium income ($bn)	10.76	1.26

Siemens wins approval for plan to list in US

By Uta Harnischfeger in Frankfurt

Shareholders in Siemens, *Germany's largest engineering* and electronics group, yesterday supported a bold business plan that will allow it to list on the US stock market, sharpen international competitiveness and boost shareholder value.

Although the annual shareholders meeting was marked by dissent – including calls for chairman Heinrich von Pierer to resign – shareholders nevertheless approved capital restructuring measures that will prepare the 150-year-old German conglomerate for a listing in the US in the first half of 2001.

The meeting marked a milestone in the company's history after Mr von Pierer's announcement of a massive corporate restructuring in November.

"The meeting fits the picture of a company that wants to list in the US and become an international player that can measure itself with other global giants," said Alfred Schöggraf, Frankfurt-based analyst at Delbrueck & Co, the private bank.

For years Siemens has lagged behind competitors such as Intel, Microsoft and IBM on its return on capital. Last year the stock massively underperformed the DAX index of 30 blue chips.

Meanwhile, employees' representatives criticised Mr von Pierer's alleged obsession with boosting US-style shareholder value, reproaching him "for giving in to banking analysts".

Under the measures agreed yesterday, Siemens is set to buy back up to 10 per cent of its own shares, worth DM297.4m (€152m, $170m), increase authorised capital by DM350m to a total of DM500m; start reporting in euros under US accounting standards in fiscal 1999-2000; make supervisory board members' pay subject to the share price rather than the dividend; and to offer share options to its 500 top managers. In addition, multiple voting rights held particularly by members of the Siemens family will be abolished.

"A lot of the practices at Siemens are very quaint and outdated in the eyes of the Anglo-Saxon fund managers," said an analyst. In other words, Siemens has been forced to abandon the traditional German industrial model based on consensus, not on shareholder value.

Yesterday's measures would have two immediate goals: first, to appeal to US institutional investors and second to modernise the company throughout.

Siemens is particularly keen on a US listing because it will allow it to acquire US businesses through share swaps.

Von Pierer under pressure to perform

Heinrich von Pierer, Siemens chairman, may have come under heavy fire yesterday, but his head is not yet rolling, **writes Uta Harnischfeger.**

With criticism now coming even from larger shareholders, Mr von Pierer has never been under more pressure to perform. There is widespread consensus that Mr von Pierer's next big test will be in some months, when Germany's largest engineering and electronics group announces its six-months results.

Then, Mr von Pierer has to prove two things. First, the results must indicate he can keep his promise to increase fiscal 1998-99 sales by more than 12 per cent, and profits by an even higher percentage. Second, he has to show evidence that even a 150-year old industrial gaint can survive and be competitive in a world marked by corporate streamlining.

However there are factors in his favour. He is liked by employees, which is important because labour representatives have enormous power in Germany's corporate system. Nevertheless, even Siemens employees feel that times are changing. "We no longer celebrate company anniversaries," said one Siemens employee. "We used to be the firm where no one was ever fired, but that is changing," he added.

Gucci raises the stakes in shares war

The fashion house has adopted an unusual defensive strategy against LVMH in the battle for control of the group

By Alice Rawsthorn

LVMH 1989: Alain Chevalier resigns as chairman of LVMH; managing director Henri Recamier is stripped of his responsibility 10 months later, completing victory in long running dispute over control of LVMH by evicting remaining opponents in 1990

Givenchy 1988: wins control of Givenchy
1995: much-loved house designer Hubert de Givenchy retires as chief designer, and is replaced by John Galliano, then Alexander McQueen

Christian Dior 1984: acquires Dior in French government auction, through Arnault family-controlled company
1989: ousts Marc Bohan as chief designer, replaces him with Gianfranco Ferre, who is later removed in favour of John Galliano

DFS (duty free chain) 1996: buys majority stake but minority shareholders file suit against him to block move; LVMH later wins case

Gucci 1999: assembles 34.4% stake within a month of shock announcement that LVMH owns more than 5%. Gucci board opposes proposal to put LVMH nominee on board and issues shares to neutralise LVMH, which threatens legal action

When Domenico De Sole, Gucci president, flew home to Italy from New York in the early hours of last month's Epiphany holiday, he told his wife that he might take the day off because things seemed "calm" at the company.

A few hours later, LVMH, the French luxury goods group, announced that it owned more than 5 per cent of Gucci's shares. His "calm" shattered, Mr De Sole plunged into negotiations with LVMH, which has since raised its stake in Gucci to 34.4 per cent.

Their funny war ended yesterday, and hostilities commenced in earnest, when Gucci, which is quoted in Amsterdam, deployed an obscure provision in Dutch corporate law by issuing 20m shares (the same number as LVMH owns) to a newly created Employee Stock Ownership Plan.

If LVMH increases its holding, Gucci, advised by Morgan Stanley, will issue more shares.

LVMH has retaliated by taking legal action against what it describes as an "unacceptable manoeuvre".

Bernard Arnault, LVMH chairman, is no stranger to corporate conflict. Dubbed the "wolf in cashmere clothing" during the bitter battle in which he won control of LVMH in the late 1980s, he has subsequently adopted an equally aggressive approach to expanding its drinks and luxury goods interests in a succession of often-bruising acquisitions.

Over the years, his adversaries have deployed various offensive and defensive ploys against him, but LVMH has usually triumphed. This time, Mr Arnault, advised by Goldman Sachs, appears to have met his match, at least for the moment.

As Cédric Magnélia, luxury analyst at Credit Suisse First Boston in London, put it yesterday: "LVMH has been blindsided."

Mr Arnault's long-term goal is to include Gucci within an alliance of luxury brands including Prada, its Italian arch-rival, his own assets, such as Louis Vuitton luggage and the Christian Dior and Givenchy fashion houses, and, possibly, Giorgio Armani, the Italian fashion group with which he has been in long-running investment talks.

When LVMH began buying Gucci shares last month – paying an estimated average price of $70 for each of its 20m shares, or a total of $1.4bn – Mr De Sole's prime concern was that, if Mr Arnault was to control the company, he should do so with a 100 per cent bid.

Mr Arnault declined this offer, according to Mr De Sole, and the two companies started discussing a possible standstill agreement.

Behind the scenes, Gucci held inconclusive talks with prospective "white knights", and Morgan Stanley analysed its defensive options in case its talks with LVMH failed. Meanwhile, LVMH proposed appointing a nominee director to the Gucci board.

Morgan Stanley's solution was to issue enough shares to Gucci's employees in the ESOP to neutralise LVMH's stake, thereby leaving it up to independent shareholders to decide on issues such as the appointment of the nominee.

Mr De Sole says Gucci has verified that its actions are lawful. However, LVMH questions the legality of the manner in which it has exercised its right to issue additional shares. It intends to take legal action against Gucci in Europe and, possibly, the US.

Both sides are now braced to do battle in the courts in the next stage of what threatens to be an unusually acrimonious corporate skirmish – even for a "wolf in cashmere clothing".

NEWS DIGEST

INSURANCE

Skandia to seek separate listing for non-life side

Skandia, the Nordic region's largest insurer, yesterday announced plans to list separately its non-life insurance operations as part of a restructuring of the region's insurance sector. The listing will take place "within a few years," with Skandia intending to maintain a minority stake of between 20 and 49 per cent in the new company.

The move comes in the same week that the Swedish bank SEB put its Trygg-Hansa unit's non-life insurance operations up for sale. In 1998 Skandia's non-life operations had a premium income of SKr18.96bn ($2.4bn) and an operating profit of SKr1.53bn with a market share of 15 per cent in the Nordic region.

The announcement came as Skandia reported a drop in operating profits in the 12 months to December 31 to SKr3.63bn, from SKr6.01bn a year earlier. Total sales rose from SKr73.9bn to SKr90bn, with earnings per share down to SKr2.43 versus SKr6.65. The board proposed to increase the dividend by 20 per cent to SKr0.90.
Nicholas George, Stockholm

AIRLINES

SAS warns of downturn

Scandinavian Airlines System yesterday became the latest European carrier to signal the impact of slowing business traffic by issuing a profits warning and announcing a restructuring. The three-nation carrier – 50 per cent owned by the governments of Sweden, Denmark and Norway – predicted its pre-tax profits this year would be significantly lower than the SKr2.83bn ($357m) achieved in 1998.

Jan Stenberg, SAS chief executive, vowed to defend margins by embarking on a two-year restructuring designed to cut annual costs by SKr3bn. Senior officials indicated that the group would not decide on a $1.5bn order for new long-haul aircraft until SAS was "comfortable" with its cost structure.

Mr Stenberg gave no details on the scope or cost of the restructuring, but predicted it would improve gross margins by 3 percentage points. SAS reported full-year operating profits up from SKr2.38bn to SKr2.96bn, on sales *ahead from SKr38.9bn to SKr41bn.* **Nicholas George**

RETAILING

Carrefour ahead to €647m

Carrefour, France's largest retailer, yesterday reported an 18.5 per cent rise in 1998 net profits to €647m ($727m), in spite of its exposure to volatile Latin American markets. The group's shares rose 11.7 per cent to €619, making it the sharpest rising share on the Paris exchange yesterday.

Daniel Bernard, chairman, said Carrefour's operating profits in 1999 would rise 20 per cent from last year's €1.03bn. Brazil accounts for a quarter of Carrefour's profits and Argentina for roughly 10 per cent. The group is planning to pay a €4.9 dividend in April, up from €4.57 for 1997. It also announced a 6-for-1 share split "to improve liquidity on the securities". **Samer Iskandar, Paris**
Lex, Page 16

EGYPTIAN BANKING

CIB posts 16% rise

Commercial International Bank, Egypt's largest private sector bank in terms of assets, yesterday reported a 16 per cent increase in net profit for 1998 of E£310m ($91m), and a 38 per cent increase in income growth in its core business. The annual results were announced as the bank carried out a significant restructuring of senior management positions following the resignation this week of Adel el-Labban as managing director. The bank yesterday named Hisham Ezz al-Arab as Mr el-Labban's successor.

Mr Ezz al-Arab, currently managing director of Deutsche Bank in London, becomes deputy managing director responsible for corporate and investment banking as well as foreign transactions, and is expected to be named managing director later this year. **Mark Huband, Cairo**

DOMESTIC APPLIANCES

Merloni hit by E Europe downturn

Merloni of Italy, Europe's third biggest maker of domestic appliances, warned yesterday that its profits this year would come under pressure due to weakness in demand in eastern Europe linked to last year's economic crisis in Russia. Unveiling an 11 per cent fall in pre-tax profits last year to L77bn (€39.8m, $44.7m), from L86bn in 1997, Francesco Caio, chief executive, said its sales efforts in eastern Europe had suffered a "substantial slowdown" following the devaluation of the rouble last summer.

The company said its profits would probably hit a "plateau" this year, given continuing weaknesses in Russia and other countries in the region such as Poland.
Peter Marsh

BANKING LOW-COMMISSION ONLINE STOCK TRADING HELPS CANADIAN INSTITUTION OUTPERFORM DOMESTIC RIVALS

TD rises on discount brokerage growth

By Edward Alden in Toronto

Rapid growth in its discount brokerage business has led Toronto-Dominion Bank, the Canadian bank, to a record first quarter that easily beat analysts' expectations.

TD, which owns Waterhouse Services, the second largest discount broker in the US, saw net income rise to C$312m (US$208m) for the quarter ended January 31, up 6 per cent from the same period in 1998. Earnings per share of C$1.01 were comfortably ahead of the consensus of analysts' estimates of 95 cents, according to a First Call survey.

Almost all the gain came from the discount brokerage business, which has boomed in North America as traders flock to low-commission, online stock trading.

Net income from TD's wealth management division, which includes discount brokerage, rose to C$49m, double the profit in the same quarter last year. Revenues from its global discount brokerages in the US, Canada, Australia, Europe and Hong Kong jumped by C$111m, an 87 per cent gain, with Waterhouse alone accounting for C$97m of the additional revenue.

"It does reflect a validation of the strategy we've had, which is to grow this business aggressively," said Duncan Gibson, vice-president, wealth management.

While Waterhouse remains less than one-third of the size of Charles Schwab, the largest US discount broker, it has been closing the gap by offering aggressive commissions roughly half those of its chief competitor.

TD revealed last month it was considering a limited public offering of shares in its discount business to capitalise on rising stock market valuations.

But Charles Baillie, chairman and chief executive, told analysts yesterday the bank was in "harried debate" over that proposal.

While an IPO would give TD currency for future acquisitions and increase the profile of the discount business, it would also dilute the bank's best asset, he said, noting "there may not be acquisitions out there to do".

Mr Baillie said TD was trying to determine how much of the value can be realised without an offering, through increased disclosure of the contribution of the discount arm to the bank's overall operations.

TD shares, which rose 35 cents to C$65.80 in early trading yesterday, are up nearly 20 per cent on the year while other leading Canadian banks are down slightly.

The bank also plans to reallocate spending towards retail from its wholesale business. Retail activities account for 48 per cent of TD's allocated capital, a figure the bank wants to grow to 60 per cent by 2001.

TD executives said the bank's corporate and investment banking business had reached optimum size and would be refocused.

CCF admits to takeover threat

By Samer Iskandar in Paris

Crédit Commercial de France, one of France's 10 largest banks, yesterday admitted it was vulnerable to a hostile takeover but said it would try to remain independent.

"Are we happy to be independent? Yes. Are we confident for our future? Yes," said Charles de Croisset, chairman. "Are we vulnerable to a takeover? Yes also."

His warning coincides with growing speculation that the imminent sale of a large block of CCF shares could create a new leading shareholder in the group.

CCF shares yesterday closed at €79.25, down 3.1 per cent. They have traded erratically since the beginning of the year when it became known that Mutuelles du Mans, the mutually owned insurer that is CCF's second largest shareholder, had hired Lehman Brothers to advise it on selling its 7.8 per cent stake.

The US investment bank is thought to be in negotiations with up to a dozen, mainly foreign, potential buyers.

The pressure on French banks to merge increased this month, when Société Générale announced an agreed €15bn ($16.8bn) bid for Paribas, creating the country's largest bank.

This week, Banque Nationale de Paris, the second largest listed bank, stepped up its campaign to play a leading role in next month's privatisation of Crédit Lyonnais, by offering guarantees that no jobs would be cut if the two were to merge.

Mr de Croisset has repeatedly emphasised that he would fight for CCF to remain independent. However, yesterday he acknowledged that the bank could be taken over "like any other company that is listed".

A battle for control of CCF would be the first hostile move on a French bank since Société Générale fended off an unsolicited bid soon after its privatisation in the late 1980s.

A sale of Mutuelles du Mans' stake to an existing shareholder, such as ING, the Dutch insurance and banking group, would make it CCF's largest shareholder.

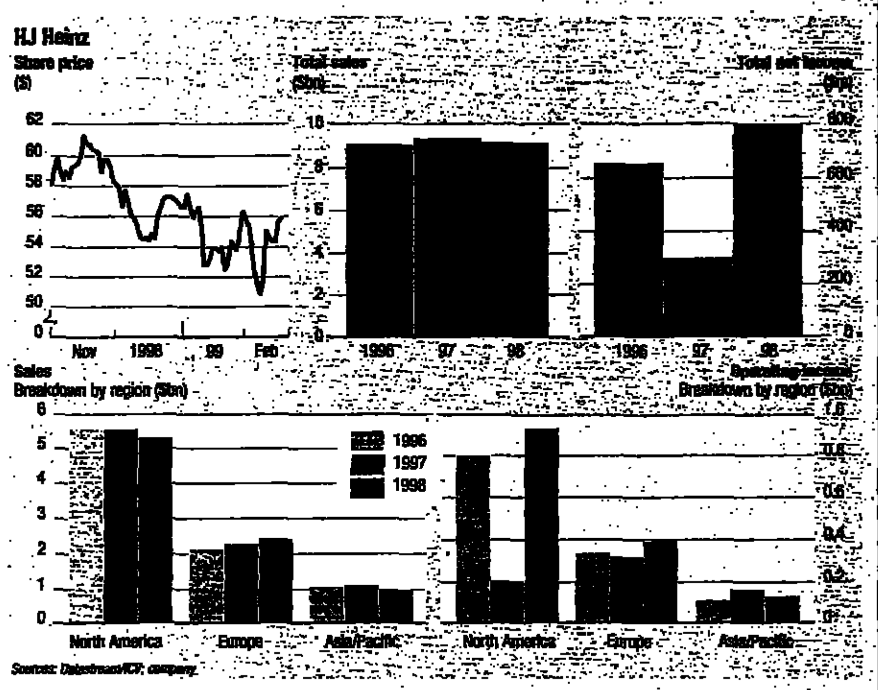
Late last year, ING more than doubled its holding to almost 6 per cent. It controls indirectly another 2 per cent of CCF held by BHF, the German bank, in which ING has a 39 per cent stake.

Last month Swiss Life, the insurance company partly controlled by UBS, the Swiss bank, increased its stake to just over 10 per cent, reinforcing its position as CCF's largest shareholder.

CCF yesterday reported a 30 per cent increase in 1998 net profits to FFr2.09bn (€319m, $359m), and said it would pay a dividend of €1.40, up 37 per cent.

Heinz tries to squeeze more out of the ketchup bottle

The US foods group hopes to harvest the rewards of a $900m restructuring, writes **Andrew Edgecliffe-Johnson**



Sources: Datastream/ICV; company

Finding growth in the US ketchup market might seem as arduous a challenge for H. J. Heinz as getting sauce out of one of its bottles. Yet in the past 12 weeks, US retail consumption of Heinz ketchup has gone up by 13 per cent. The figures for the last month show a jump of 24 per cent.

The surprising statistics are the fruits of a new marketing push behind some of Heinz's most established brands. They also give some indication of what the 130-year old group hopes to achieve through the $900m restructuring that it announced this week.

The plan, which involves cutting up to 10 per cent of Heinz's 40,000 staff and spending another $100m on marketing, is the first big strategic move by William Johnson, the son of a Cincinnati Bengals football coach who took over from Tony O'Reilly as Heinz's chief executive last year.

Mr Johnson says the decision to reorganise the group along product lines rather than by geographic region will be "the greatest transformation in the history of the company".

But Operation Excel, as the latest scheme is known, is not the first attempt to breathe new life into the ketchup and baby food group.

It is less than two years since Heinz unveiled Project Millennia, a US-based programme involving 20 plant closures, 2,500 job cuts and $200m of savings. In the latest annual report Mr Johnson trumpeted the message that "through vision, voracity, value, volume and velocity, we can achieve victory".

The pragmatic Mr Johnson

'Most US food companies are only going to deliver 8-10 per cent growth'

and his newly revamped senior management decided, however, that more sweeping measures were needed.

Heinz is by no means alone in having to take such action.

Concerns about the impact of consolidation among the already powerful retailers, and a string of disappointing earnings announcements, have caused food company stocks to under-perform the S&P 500 significantly in the last six months.

Restructurings are under way at Kellogg, Kraft and Nabisco, producing a seemingly incessant series of "non-recurring" charges around the industry.

Many of Heinz's rivals, including Campbell Soup, are similarly putting their faith in increased investment in marketing.

Heinz will spend another $100m on marketing initiatives such as the 99 cent "commemorative" ketchup bottle and Private Pickle, the mascot tasked with increasing sales to Heinz's largest US customer – the military.

This tacit admission that Heinz had failed to support some key brands sufficiently in the past will require an increase in the marketing budget from 9 per cent to 10 per cent of sales.

It will go hand-in-hand with a review of the product list, simplifying the pet food offering, moving towards price-based costing, and attempting to seize more than its current 20 per cent share of the $6bn tuna market.

There will also be more fundamental organisational changes, such as the sale of its 30-year-old Weight Watchers dieting classes business.

Promotional activity featuring the Duchess of York had contributed to a revival in its flagging fortunes in the past year, but the non-food operation remained "an albatross around its neck," according to one analyst.

Trimming that excess corporate weight will bring in an estimated $700m. Of more long term significance, however, is the proposed divisional reorganisation.

Having always been organised by region, Heinz will now focus on six core food categories: ketchup; frozen foods; tuna; soups, beans and pasta meals; infant foods; and pet products.

"We need to present one face to our customers," a company spokesman explained.

Within these product categories, the focus will be on six main geographic markets: the US; the UK; Italy; Canada; Australia and New Zealand.

Its acquisition strategy will be to use these bases as a platform for expansion into Eastern Europe and other parts of Asia, Mr Johnson told analysts.

The objective is to produce earnings per share growth of 10-12 per cent each year for the next four years. That target persuaded Chris Jakubi, food analyst with Warburg Dillon Read, to upgrade his recommendation on Heinz from hold to buy on Wednesday. He said: "You are looking at a scenario where most US [food] companies are only going to deliver 8-10 per cent growth."

If Mr Johnson can replicate the growth already seen in Heinz's ketchup business, such enthusiasm will prove justified. Recent history and the toughening environment for food groups suggest, however, that Operation Excel may not be Heinz's last restructuring.

Barrick to acquire Sutton Resources

Barrick, Canada's largest gold producer, yesterday announced an agreed all-stock acquisition of Sutton Resources, a Canadian exploration company, writes Edward Alden.

The C$525m (US$352m) offer comes less than two weeks after Barrick failed in a hostile bid to acquire Argentina Gold, a junior mining group with promising properties that border Barrick mines in South America.

Sutton's properties are in Tanzania, and include the Bulyanhulu project, which is estimated to contain 3.6m ounces in proven and probable gold reserves.

Barrick is offering 0.463 Barrick shares for each Sutton share, valued at C$13.25 based on Barrick's closing price on Wednesday.

Sutton shares yesterday rose from C$7 to C$12 in early trading on the Toronto Stock Exchange, while Barrick fell C$1.20 to C$26.80.

NORMA COHEN
THE PROPERTY MARKET

Rise of the city-within-a-city

A public offering of shares in London's Canary Wharf highlights the qualities of these specialist developments

If any event marks a stunning reversal in the fortunes of Canary Wharf, the 34ha estate in London's Docklands, it is the news that its shareholders are considering a public offering of shares and inviting outsiders to scrutinise its finances.

The project, which made a descent into bankruptcy before being resurrected in 1995, has acquired the critical mass to allow completion of the remaining two-thirds of the estate.

If Canary Wharf did not work in 1991, why is it able to now? Its buildings are no more efficient or beautiful than they were in 1992 and the Jubilee Line extension connecting it to central London has yet to be opened, rendering it as remote as ever.

Can Canary Wharf ever be fully integrated into the great city around it? And what is it that makes these "cities-within-a-city" work?

Bill Hillier, professor in the school of architecture and urban planning at University College London, argues that it is not quite fair to consider Canary Wharf a city-within-a-city. First, it has no social infrastructure – no schools, churches or playgrounds – rendering its residential housing most suitable for a transient population.

Worse, he says, it is physically cut off from the community around it. "Canary Wharf is only a step from Poplar High Street," he says. "But you have to take a circuitous route to get into it."

Prof Hillier cites Broadgate, at the heart of London's financial district, as a successful city-within-a-city. Although it contains no residential elements, it is surrounded by residential areas within a one-mile radius.

Of similarly successful projects, Prof Hillier says, "their characteristic is their connection with the space around themselves".

He and his colleagues have developed an analytical method – space syntax – to identify areas which lend themselves naturally to becoming hubs of commercial and residential activity.

Prof Hillier's research suggests that Broadgate is so attractive that the average visitor is prepared to walk further – 462m to be exact – to get there than to any other site in the City.

Stuart Lipton, chief executive of Stanhope, the developer of Broadgate, points out that it, too, was derided when it was first mooted, as was what is arguably one of the first successful cities-within-a-city, New York City's Rockefeller Centre.

"But John Rockefeller understood how to transfer value within a site, not just have it on its fringes," Mr Lipton says.

Tom Curley, head of urban design at Chicago-based architects Skidmore Owings & Merrill, says the Rockefeller Centre "works", first, because it is built over a nexus of subways promising rapid access to New York's residential heartlands in Brooklyn, the Bronx and Queens. "But mostly," he says, "because it has brilliant public spaces." The creation of a fantastic outdoor skating rink, a beautiful interior lobby and the Radio City Music Hall adjacent transform the site into a 24-hour community.

It is the open spaces around buildings and how they are used that transform a prosaic series of structures into a city-within-a-city, says Mr Curley.

Tony Fitzpatrick, a director at structural engineers Ove Arup and Partners, one of Canary Wharf's construction consultants, agrees with Prof Hillier's analysis that Canary Wharf and the highly successful office complex which abuts Paris, La Defense, are not "true" cities-within-a-city.

Berlin's new Potsdamerplatz – office and residential developments along the line of the former Berlin Wall at the city's centre – is much closer to being a true example of the genre because of its social infrastructure

Nonetheless, "dip-in, dip-out" communities, such as Canary Wharf and La Defense, can be highly successful, both for their investors and occupants, provided they are blessed with one key ingredient. "Transport, transport, transport," says Mr Fitzpatrick.

La Defense sits on top of a nexus of three high-speed rail lines and the Jubilee Line connection to Canary Wharf is, finally, a certainty, sealing both sites' futures as commercial developments.

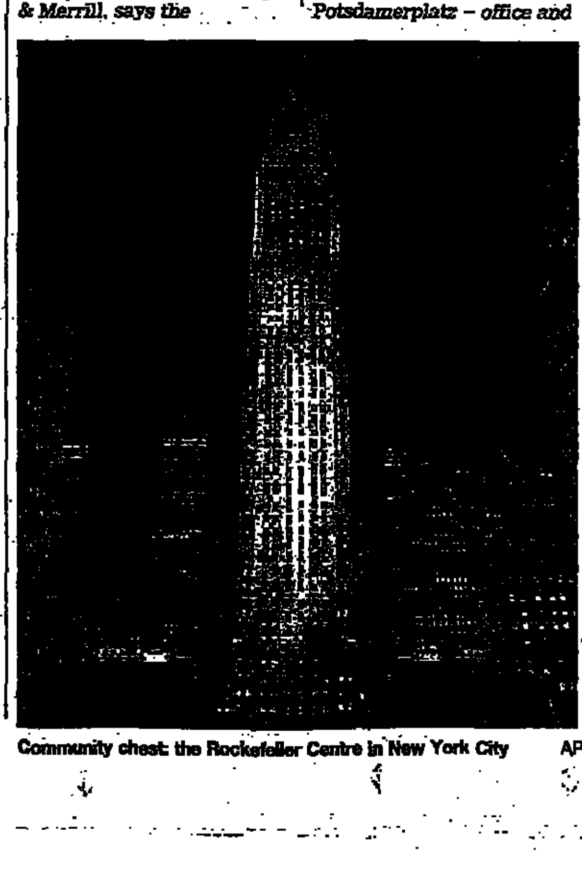
With some 25,000 workers already calling Canary Wharf home, it now has the critical mass to attract many more occupiers. "Companies want to be somewhere their employees can get to, somewhere their customers can get to, somewhere their employees can network and somewhere the rents are cheap," Mr Fitzpatrick says.

"There is no fundamental reason why that area should not be as attractive as Fulham or Chelsea," he says, referring to two of London's most desirable residential communities. "It is the same distance they are from the best parts of town and they have the same river running through them."

Mr Curley cautions against a rush to judgment on developments, such as Canary Wharf. "Cities take time," he says. "They don't just take off and they do need pioneers."

He points out that Pierre L'Enfant, designer of Washington DC, laid out plans for a city far larger than anyone in George Washington's day imagined.

"People went back and forth on this muddy road between the White House and Congress and grumbled 'Why did they build it this way?'," Mr Curley says. "It took 100 years, at least, before Washington grew to its intended size."


Community chest: the Rockefeller Centre in New York City AP

INSURANCE JAPANESE ASSOCIATION TO CONFIRM THAT IT WILL NOT SELL LIFE ASSURER

LAA fails to secure buyer for Aoba Life

By Naoko Nakamae and Paul Abrahams in Tokyo

The search for a buyer for Japan's Aoba Life has ended in failure. The Life Assurers Association of Japan will confirm at its board meeting today that it will not sell Aoba Life, which was set up by the association last year to take over most of the business of Nissan Mutual, a medium-sized life assurer that collapsed in April 1997.

It represents another blow for international life assurance companies in their attempt to gain a significant foothold in Japan.

Companies such as US-based insurance group AIG, and Artemis, the holding company of Printemps, the French retailer, were reported to be interested in acquiring Aoba Life. It is understood that several domestic companies were also interested.

The failure comes as the Japanese government is encouraging weak life assurance groups to seek foreign partners. Two successful deals that have been negotiated recently include the one between GE Capital and Toho Mutual, another weak life assurance group, where Toho's liabilities were effectively "ring-fenced" from the US company by selling Toho's new business to a separate joint venture.

Last week, Canada's Manulife Financial announced a similar deal with the troubled Japanese life assurer, Daihyaku Mutual. However, such deals are still rare. Although the LAA was willing to sell Aoba to a foreign buyer through a competitive tender process, the deal fell through because of disagreements about price and contract conditions.

It is not known what these conditions were, but it is suspected that they were related to Aoba's liabilities and similar ring-fencing structures.

There is mounting pressure to restructure in the Y190,000bn ($1,598bn) life assurance sector, which has been hurt by recent slumps in the Japanese stock and property markets, and the appreciation of the yen. The sector's core business has also been damaged by years of paying higher returns on policies than were justified by investment returns.

Standard & Poor's yesterday downgraded its ratings on four big life assurers, Asahi Mutual, Mitsui Mutual, Sumitomo Life and Yasuda Mutual. The Financial Supervisory Agency has also indicated that life companies with solvency margins below 200 per cent will be encouraged to leave the market or find a partner.

Aoba's solvency margin – a key indicator of financial health – of 228.7 per cent at the end of March 1998, was the worst in the sector.

Aoba was set up to take over the operations of the bankrupt Nissan Life, after fellow affiliates within the Fuyo group failed to come to the rescue. Morgan Stanley advised the LAA on the deal.

Cautious bankers caught up in wave of liquidity

Pressure is being put on Philippine banks to lend more, writes **Tony Tassell**

Banks in the Philippines are coming under increasing pressure to kickstart the country's subdued economy by deploying surplus liquidity into new lending.

Unlike many of their troubled counterparts in Asia, Philippine banks face a problem of plenty. They are sitting on funds ready to be lent: cash, short-term money market instruments, or government bonds due to mature in less than a year.

"The banks are awash with liquid resources," said Deogracias Vistan, president of the Bankers Association of the Philippines.

After a contraction in lending last year, the government and the central bank are now putting pressure on banks to use some of this liquidity in increased lending.

"The thrust is now to encourage banks to lend more aggressively, resulting in increased economic activity," said Gabriel Singson, the central bank governor.

The problem for the banks is that demand for loans remains subdued from quality borrowers.

Also, banks are cautious about new lending after a sharp fall in sector earnings and an increase in non-performing loans in the wake of the Asian economic crisis. Collectively, banks are focusing on the top-end quality corporates and low risk areas such as mortgages.

Philippine commercial banks

Loan growth (%)

This has meant the banks have increasingly parked funds in liquid resources such as short-term government bonds.

Analysts said the loan-deposit ratio – the best measure of bank liquidity – for the country's 53 commercial banks fell to a relatively low 90.7 as at November from 96.5 at the end of 1997. The lower this ratio, the higher the liquidity as it indicates more deposits are deployed in liquid resources than straight loans.

For the top-tier banks, liquidity levels would be even higher after a flight to safety by depositors.

The dilemma for the banks is that once-lucrative yields on their excess liquidity have been falling sharply with the central bank successively cutting interest rates in recent months to try to encourage banks to increase lending.

The central bank's benchmark overnight borrowing rate has been cut from a peak of about 19 per cent at the height of the Asian economic crisis last year to 12.85 per cent. Philippine financial analysts widely expect a further reduction to 11 per cent in the next few months.

Adding to the banks' dilemma, the scope for putting excess liquidity into treasury bonds has also been reduced. The government has cut its demands on the domestic money market by raising funds from the international markets and multilateral agencies.

Mr Vistan said if more of the liquidity is not channelled away from low-yielding government securities, then overall bank margins will come under pressure. However, he said loan demand remains subdued and banks still have not relaxed tight credit standards imposed after the Asian economic crisis.

"They are still applying selectivity to credit, all targeting the same areas for lending such as the top-tier clients, mortgages and consumer credit," he said.

As a result, Mr Vistan said the better Philippine banks were likely to achieve between 5 and 10 per cent loan growth at best, resulting in subdued earnings growth for the sector. He said some banks are still likely to be reporting losses in 1999 as they continue to clean up their balance sheets, making increasing provisions for non-performing loans.

Aggregate earnings forecasts by analysts for the sector vary widely depending on the number of banks surveyed and expectations for non-performing loan provisions.

Ed Bancod, analyst with Paribas Asia, forecasts aggregate net profit growth of only 3 per cent for eight leading banks accounting for more than 50 per cent of the industry assets. However, profits for 1999 would depend largely on how banks perceived the trend of non-performing loans (NPLs) and their subsequent provisions.

Girish Kumar, analyst with Merrill Lynch, said there had been a perception late last year in the Philippine financial markets that NPLs were close to peaking at just above the last reported industry level of 11.8 per cent in November. However, he said, NPLs were already close to his firm's forecast peak of 21 per cent for the sector if foreclosed loans and loans under restructuring were included.

"Those banks that did provide adequately [for NPLs] in 1998 will have a better year in 1999. Those that didn't will still be playing catch up," said Mr Vistan.

Cash in hand: bank governor Gabriel Singson with members of the Defend the Peso movement AP

NEWS DIGEST

JAPANESE CARMAKERS

Sales of mini-cars offset weak demand for trucks

Figures released by Japan's leading carmakers yesterday suggested that new regulations on mini-cars helped lift sagging production levels in January. But weak demand from municipal governments and companies battered truck and bus sales.

Honda's sales jumped 10.2 per cent compared with the same period last year, largely because of brisk sales of mini-cars and recreational vehicles. The group cut domestic production by 9.5 per cent, raising output overseas 8.6 per cent and exports 14.4 per cent.

Toyota, the world's third largest carmaker, reported a 4.3 per cent increase in car sales in Japan. But truck and bus sales were hurt by weak demand, falling 8.3 per cent. While domestic production tumbled 14 per cent, Toyota raised output overseas 4.9 per cent and car exports 10 per cent.

Nissan, the troubled car and truck group, cut overseas production 25.6 per cent compared with the same period last year. Slow sales in the UK, US and Asia were among the reasons for the cut-backs, it said. Domestic sales slid 7.1 per cent, mainly because of a collapse in truck sales.

Mitsubishi was also hurt by slow sales in the truck division, posting a 3.3 per cent decline in total sales. Export volumes shrank 1.7 per cent, despite a 14 per cent increase in car shipments. The group's domestic production was flat, and overseas output contracted 8.5 per cent.

Mazda suffered a 2.3 per cent decline in domestic sales and 6.9 per cent contraction in export volumes, mainly because of slow truck sales. The group raised overseas production 25.3 per cent. **Alex Harney, Tokyo**

NEWSPAPERS

Fairfax profits up 18%

Australian newspaper publisher John Fairfax Holdings yesterday said net profit for the six months to December rose 18 per cent to A$72m (US$46.5m), after extraordinary items. Fred Hilmer, chief executive, said Fairfax was on track to achieve a targeted A$40m in cost savings in the year to June. Revenue for continuing businesses rose 9.6 per cent, although total revenue was virtually flat due to the sale of non-core businesses such as Australian Geographic.

John Greaves, finance director, said Fairfax would spend about A$20m on its online business this year and losses would be less than A$10m. **Gwen Robinson, Sydney**

FINANCIAL SUPERVISION

SESC to inspect Nomura

Japan's Securities and Exchange Surveillance Commission (SESC) said yesterday it had begun an inspection of Nomura Securities. An official at the securities watchdog would not specify whether it was a routine inspection. A spokesman for Nomura declined to comment. The Mainichi Shimbun newspaper reported on Thursday that Japan's Financial Supervisory Agency was also carrying out a routine inspection of Nomura's operations. The newspaper said the agency's examination was focused on an evaluation of Nomura's assets in the wake of hefty losses in its overseas business. **Reuters, Tokyo**

Asia strategies lift Qantas and Air NZ

By Gwen Robinson in Sydney and Terry Hall in Wellington

Australia and New Zealand's flagship airlines both benefited from pre-emptive strategies to cope with the Asian crisis last year.

Shares in Qantas Airways, Australia's flagship carrier, jumped more than 6 per cent yesterday after the airline's surprise announcement of a 34 per cent increase in interim net profit.

Qantas, which is 25 per cent owned by British Airways, said net profit reached a record of A$230m (US$146m) in the six months to December on revenues of $4.3bn.

The results, the fourth consecutive record for first-half earnings, defied concerns about the impact of Asian economic turmoil and exceeded the $174m-$203m range of analysts' forecasts.

Meanwhile, Air New Zealand yesterday reported a fractional rise in after-tax earnings from NZ$82m to NZ$82.8m (US$45.5m) for the six months to December 31. Chairman Sir Selwyn Cushing said recent improvements in international traffic suggested trends were steadily improving and the outlook was "satisfactory".

Like Qantas, the airline focused on alternative routes such as the stronger Atlantic, Pacific and routes to Australia, restraining costs and strengthening new global alliances.

Many brokers last night were again upgrading their full-year earnings forecasts for Qantas after upgrading just a month ago on stronger than expected domestic demand and lower fuel costs.

The strong performance was attributed to Qantas suspending faltering Asian routes and replacing them with increased traffic to the US and Europe. Also, the airline had been quick to develop routes, such as Latin America, and reinstate old ones, including Sydney-Paris.

Qantas also enjoyed strong domestic demand in the period, with pre-tax earnings from domestic operations up 13.5 per cent to A$149m. Earnings from international operations rose nearly 17 per cent to A$194m.

Gary Pemberton, chairman, said the airline was now confident of at least matching last year's record profit without including gains from asset disposals during the year. "In the face of difficult market conditions, we were able to absorb significant capital expenditure, maintain balance sheet gearing and increase profits," he said.

Earnings per share rose 27.3 per cent to 18.9 cents and the interim dividend increased to 8 cents from 6.5 cents.

On the stock market, Qantas shares jumped to a record $4 after the results announcement, before closing at $3.91, up 5.3 per cent. Air New Zealand A ordinary shares dropped 8 cents to NZ$2.68 and its B shares were down 7 cents to NZ$3.05.

Mitsukoshi to revamp after golf course loss

By Naoko Nakamae

Mitsukoshi, a prestigious Japanese department store, yesterday announced a sweeping restructuring plan in an attempt to revitalise its business.

It has been badly hurt as consumer demand has dried up amid the country's worst recession in postwar history. The company has also been suffering the effects of its over-extension during the bubble era.

The main item in Mitsukoshi's restructuring plan is a withdrawal from a failed golf course development project in Chiba prefecture, on which the company will post a Y11.3bn ($98.9m) extraordinary loss.

This, and sluggish store sales, led the department store operator to issue a profits warning yesterday. It downgraded its forecast to a net unconsolidated loss of Y26bn this business year against its previous prediction of a Y1bn net profit. It also changed its forecast for pretax losses before exceptionals to Y800m, from an earlier prediction of Y1.4bn profit.

Mitsukoshi has also decided to target around 600 employees, or 6 per cent of its workforce, for early retirement in an attempt to prune its workforce.

The company will offer these employees up to double the normal retirement benefits, and estimates that this will cost about Y15.5bn, which it will post as an extraordinary loss this year. But the group calculates that the move will save it Y6bn a year.

The company also plans to halve the number of directors, and introduce the first executive committee system in the retail sector.

Analysts welcomed the announcement. "These losses had to be booked," said Michael Wheatley, retail analyst at Paribas in Tokyo.

"Mitsukoshi seems to be clearing the decks – so that it can start concentrating more on positive things. This was a surprisingly positive and hands-on move."

Yesterday's announcement will add momentum to Mitsukoshi's ongoing drive to restructure its business back to profit. So far, it has sold its 12 per cent stake in the US upmarket jeweller, Tiffany & Co, and generated a Y26.4bn capital gain.

It also announced last year that from August it would lease part of its high-profile Shinjuku store to Ohtsuka Kagu, the innovative Japanese furniture retailer.

The company also said it would be posting Y20.2bn in valuation losses on four of its subsidiaries.

Mitsukoshi's share price yesterday jumped 4.18 per cent to Y299 in a falling stock market.

Asahi up 21% on sales of Super Dry

By Alexandra Harney in Tokyo

Asahi Breweries yesterday reported a 20.7 per cent increase in parent net profits in 1998, a year when it replaced Kirin, its biggest rival, as the leading brewer in Japan.

Profits before taxes and exceptionals jumped 10.6 per cent to Y50.4bn ($441m), on turnover up 5.8 per cent to Y1,028.4bn in the year to December.

Analysts said most of the increase came from a surge in sales of its popular Super Dry beer.

However, on a consolidated basis, the group saw a 95 per cent decline in after-tax profits, from Y1.156bn to Y579m as a result of the sale of Torii Pharmaceuticals, a drug manufacturing subsidiary, to the conglomerate Japan Tobacco, last December.

Sales of Super Dry climbed 8 per cent, in line with expectations, and wine sales jumped 74.1 per cent. Overseas sales were helped by the establishment of a marketing subsidiary in Europe and local production facilities in China.

In 1999, the group expected pre-tax profits of Y55bn, a 9.2 per cent increase over last year, on turnover of Y1,110bn, up 7.9 per cent against last year. However, analysts warned market conditions could hurt profits this year.

Keiko Sasaki, industry analyst at *ING Barings*, said as Japanese consumer tastes moved away from beer and toward happoshu, a beer-like alcoholic drink exempted from the country's high beer tax, Asahi would lose market share to rival Kirin because it lacked a happoshu product. If happoshu is included, Kirin still holds the culturally-important position as Japan's number one beer maker.

Shares in Asahi slipped 1.5 per cent, or Y23, to Y1,565.

● Asahi Bank yesterday said it expected to post Y620bn in loan-loss charges for the year to March 1999, up Y210bn from its earlier forecast, Reuters reports from Tokyo.

BANKS ANALYSTS SAY CRITERIA FOR MERGERS WILL RULE OUT MANY POTENTIAL PARTNERS

Halifax returns cash to shareholders

By Christopher Brown-Humes

Halifax, the UK's biggest mortgage lender, is giving 3.6m people – one in 12 adults – an unprecedented cash hand-out averaging more than £200 ($325). The move is part of the group's plans to return £1.5bn to shareholders as part of a broader corporate restructuring.

A customer still holding the minimum 200 share allocation from the bank's 1997 flotation will get £124 from the 62p per share pay-out. A private shareholder with an average holding of 350 shares will get £217. Some 17,000 institutional shareholders will also benefit.

The distribution, together with dividends, means an average private shareholder will have received £350 since flotation, excluding the value of their free shares.

The announcement came as the bank unveiled a 7 per cent rise in underlying 1998 pre-tax profits to £1.769bn.

Halifax said the pay-outs did not mean its search for acquisitions was off and it still had £1.5bn of surplus capital. It said it could still fund a big acquisition by issuing its own shares.

Halifax has been linked with many merger partners over the last year, including Barclays and Royal Bank of Scotland.

But analysts thought a merger less likely after hearing James Crosby making his first public comments since taking over as chief executive at the start of the year.

Mr Crosby said mergers had to be tested against three yardsticks: they must keep the group's personal financial services focus, they must deliver synergies, and they must strengthen the Halifax brand.

Analysts said the criteria, if strictly applied, would rule out many potential partners. One said: "Mr Crosby has set out an agenda which is more focused on making more of what Halifax already has."

Another commented: "I think they will follow a similar strategy to Abbey National, making a series of smaller bolt-on acquisitions".

Returning capital will improve Halifax's earnings per share and boost its return on equity. Its tier one capital ratio will fall to 9.5 from 12.2 per cent, but the aim is to take it lower to 7-8 per cent within three years.

"I am hoping that we will get to that target first and foremost through acquisitions," said Mr Crosby. Analysts believe other mortgage lenders, life assurers, and consumer credit operations will be prime targets.

In a broader corporate restructuring to improve capital efficiency, the group is setting up a new holding company. Shareholders will receive 37 shares in company for every 40 currently held.

Bank juggles reality with the sound of a tactical retreat

The bank hopes to both retain leadership of the UK mortgage market and to cut its lending ambitions; **Christopher Brown-Humes** investigates

Halifax, the UK's biggest mortgage lender, yesterday sounded a tactical retreat in the battle for UK mortgage business.

The bank said it would no longer seek to win a share of new mortgage business each year to match its share of existing business.

James Crosby, chief executive, said that it would instead aim to take about 10 to 11 per cent of net new lending each year as an average over the business cycle.

This compares with the bank's 18 per cent share of total UK mortgages.

The move recognises reality because the bank's share of net lending has fallen well short of its overall stock in recent years, because it has not been prepared to sacrifice margins.

Last year Halifax saw an outflow of business in the first half, but by taking 11 per cent of net lending in the second half its full-year position recovered to 5 per cent. This equates to net *residential mortgage lending of £850m, against £1.26bn in 1997.*

Mr Crosby said the bank would still retain leadership of the mortgage market, because it would continue to buy other lenders.

"We are the market leader and it is our firm intention to remain so," he said. But he acknowledged the group would need to buy something the size of Birmingham Midshires - a £750m purchase bringing £8bn of assets which Halifax will complete in April - every three to four years just to hold its share of mortgage stock.

Analysts welcomed the bank's decision to scale down its lending ambitions, noting a similar move by Abbey National, the second biggest mortgage lender, last year. One said: "It's a wise step because 18 per cent is not achievable. If they set out to do it they would set themselves up to fail."

But he added that it emphasised the need for the bank to continue its diversification strategy to boost earnings from outside its core mortgage and savings business.

Analysts say mortgages are a mature business with weak growth prospects.

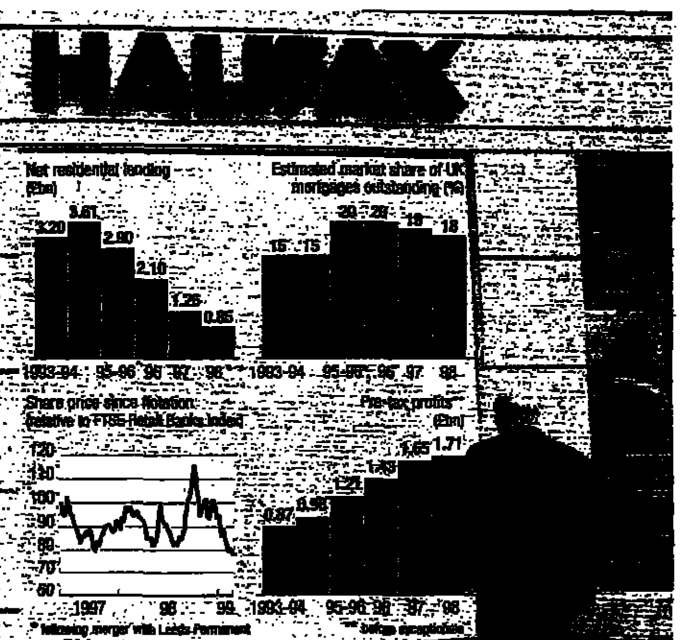
Yesterday's results showed the contrast between *profits growth in Halifax's core* retail businesses – up just 1.2 per cent to £1.31bn – and the 33 per cent jump to £541m among its diversified businesses, which include life assurance, consumer credit and treasury.

This lifted the contribution of the diversified businesses to 29 per cent of profit from 24 per cent a year *earlier. There were strong per*formances from Clerical Medical, the life assurer, where profits climbed from £53m to £70m, and from the treasury division where profits jumped from £94m to £169m.

Halifax said core business growth was sluggish because of weaker margins and a 3 per cent rise in costs. But analysts said the fall in the retail funding margin from 2.48 to 2.43 per cent was less than expected and showed resilience, particularly given the aggressive mortgage market push in the second half.

Remortgages – which Halifax has traditionally shunned in favour of home movers and first time buyers – accounted for 15 per cent of sales in 1998, against 3 per cent a year earlier.

The pipeline of mortgages awaiting completion at the year-end stood at £1.9bn, some 33 per cent higher than at the end of 1997.



The group's cost-income ratio rose from 40.4 to 40.9 per cent. However, Mr Crosby said he was committed to holding expense increases to no more than 3 per cent in both 1999 and 2000.

He added that Halifax's brand strength, franchise, and large customer base gave it plenty of opportunities for organic expansion. He set a target of increasing sales of additional products to existing customers by 50 per cent over the next five years.

A final dividend of 13.5p makes a total of 20.25p for *the year, up 16 per cent.* Earnings per share rose 9 per cent to 47.5p.

Analysts said Halifax's plans to return capital – and to continue its share buyback programme – should increase earnings per share by at least 10 per cent this year, even if profits growth was much slower. *Last year* it spent £745m buying back its own shares.

"Future dividend growth will broadly follow earnings per share movements," said Jon Foulds, chairman. The post-tax return on equity was 16.3 per cent, against 16 per cent.

William Hill scales back price of share offer

By Elizabeth Robinson

William Hill, the bookmaker which is being floated by Nomura Principal Finance, *has scaled back the price of* its share offer after weak demand from institutions.

The price of 135p is substantially below the indicative range of 155p-175p announced at the start of the month. At the latest price the UK's second largest bookmaker will be capitalised at £405m, compared with around £525m. The total value of the business, including £375m debt, is *therefore just under £800m,* compared with earlier estimates of nearer £900m.

The move is a disappointment to Nomura, which bought the business for £730m in 1997 from Brent Walker. Some observers thought the quick profit that Nomura stood to make from the sale might have been a reason for institutions asking for a lower price.

The price reduction is an *embarrassment for Warburg* Dillon Read, the lead manager. It claimed that the sale had suffered from ebbing enthusiasm for initial public offerings. David Freud, managing director, said: "It looks like we have been caught in a change in market sentiment."

Observers suggested Warburg had simply got the pricing wrong, but they expressed surprised at the *level of the cut.* One suggested that it might provide room for movement upwards before the offer closes at 5pm today. When the indicative price range was announced, analysts seemed happy at the lower end of the scale, describing it as fair. The historic p/e is now 7.3, compared with 11.7 earlier.

In contrast to the institutional demand, the retail *tranche has been doubled* from 10 per cent to 20 per cent of the offer, although at this level it is not likely to be oversubscribed. Retail investors can apply for a minimum holding of £1,000 worth of shares. John Brown, William Hill chief executive, targeted punters with a poster campaign in all 1,500 shops.

The final pricing and allocations are expected to be *announced on Monday.* The shares are expected to start trading on March 1. Up to 300m shares will be on offer, representing an issue of 72.4m new shares.

William Hill holds second place in the betting shop market to Ladbroke.

COMMENT

Halifax

It is hard to quibble with Halifax's plan to hand £1.5bn back to shareholders, halving its £3bn plus of surplus capital. The money was burning a hole in the bank's pocket. With interest rates falling, Halifax needed either to invest or disgorge the surplus to stop it becoming a drag on earnings. Yesterday's move – combined with promises to reduce excess capital further in future years – should help the shares, which have trailed the sector since last autumn.

Halifax certainly needs a punchier share price. Efforts to diversify earnings have all but stalled because of high acquisition prices. There has been some organic progress, but, while the mix of core/non-core activities has improved to 71:29, this is mainly due to soaring treasury profits. More worryingly, the cost income ratio is actually rising. Halifax says this is because of investment. But until it yields returns, investors should be wary.

Elsewhere, in the core mortgage business, Halifax is feeling the competitive heat. Plans to scale back its share of the new mortgages seem sensible in view of the continuing squeeze on margins. But they just highlight the need to continue increasing faster-growing, higher margin business outside the core. James Crosby, Halifax's new chief executive, seems to have ruled out clearing bank mergers as a way out of this dilemma. But unless he can expand the non-core side of the business, investors may see things differently.

William Hill

William Hill's embarrassing cut in its flotation price could be presented as the latest sorry evidence that smaller companies are out of favour. This has some truth, but the reasons are not flattering to the vendors. William Hill resembles all those flotations that entailed the vendors getting out while the going was good, leaving new investors with a slow or no-growth stock. It is coming to the market on the back of a bumper year, thanks to betting on the World Cup; 1999 profits may well be down. This is not to say the company has no story to tell. It is a market leader – albeit sensitive to consumer spending – and its management is well respected. William Hill is now priced at nearly 10 times 1999 earnings, with a prospective net dividend yield of 4.5 per cent. This is a tempting discount to its peers, which is how it should be.

AITC critical of Electra

By Jean Eaglesham and Katharine Campbell

The Association of Investment Trust Companies has suggested Electra Investment Trust, which is likely to wind up following a takeover approach from its rival 3i, prompted its own downfall.

Daniel Godfrey, director general of the trade body, said: "Electra has done a great job in managing assets. But they have obviously failed to market themselves to private investors, which is why they are now in this situation."

The remarks from the formerly fusty AITC are likely to spark controversy in the conservative investment trust business. It is highly *unusual for a trade body to* comment on a bid battle involving its members.

But Mr Godfrey, a marketing expert appointed nine months ago to help rescue the embattled £61bn ($99bn) sector, is evangelical about the need for trusts to sell themselves more effectively. "The industry has been very under-marketed. Everything that is happening to Electra shows this with great clarity."

Michael Stoddart, Electra's chairman, said this week that the "whole investment trust industry was under siege". He claimed the trust's proposed defence against 3i, which could lead to it being wound up, was the best way of releasing value to institutional investors.

The sector, which suffered its biggest net loss of assets in more than a decade last year, is under intense pressure from institutional investors who have become increasingly dissatisfied with the wide discounts *between share prices and net* asset values in the sector.

Meanwhile, 3i is considering making an offer directly to institutional shareholders.

It yesterday confirmed it had made an offer of 705p, valuing Electra at £1.2bn, which had been rejected.

Heavy trading in euro shares

By Edward Luce

Trading of shares denominated in euros on the London Stock Exchange accounted for 42 per cent of overall turnover in January, itself a record month for the exchange.

Although the euro was only launched on January 4, the single currency's share of turnover on the LSE comfortably exceeded the previous record for turnover of the combined shares priced in the 11 "legacy" currencies last July. Overall turnover was £366bn ($596bn).

Officials at the exchange said the euro's higher-than-expected share of overall turnover, which was 52 per cent above the combined turnover in euro-zone currencies last January, reflected the high concentration of European funds under management in London.

The surge in volume, which was also recorded across other European exchanges, came partly as a result of general relief over the smooth transition to the euro over the new year.

However, analysts said that the LSE's impressive showing in euro-denominated stocks also allayed fears that liquidity would migrate to the continental exchanges after the launch of the single currency.

Almost all of the 200 euro-zone company listings on the LSE are secondary.

Draft figures for the combined turnover of the eight German stock exchanges, including the Deutsche Borse, which is in the midst of hammering out an alliance with the LSE, are thought to indicate that trading volumes in January were roughly the same size as the LSE's turnover in euro-denominated stocks.

Zeneca holders back Astra merger

By Lucy Smy

Shareholders of Zeneca, the UK drugs group, have voted *by a majority of almost 100-*to-one to go ahead with the company's proposed $35bn merger with Astra of Sweden.

A total of 539m shares were voted in favour of the deal at yesterday's extraordinary meeting in London, and less than 6m against.

Sir Sydney Lipworth, chairman, *said although* there were a handful of small shareholders in Sweden who are known to oppose the deal, the majority *of large institutional share*holders were in favour.

Astra shareholders are due to meet on March 18 to consider the merger.

Sweden's small shareholder association, whose members hold 11 per cent of Astra's shares, have said the merger would not address the Swedish group's patent *expiry problems.*

Approaches made to JM division

By Charles Pretzlik

Johnson Matthey, the metals and electronic materials group, *yesterday said it had* received several approaches from companies interested in buying its electronic materials business.

However, the group declined to comment on who had approached it and said: "All options are being considered, from a trade sale to a flotation on Nasdaq." *Johnson Matthey has asked* Credit Suisse First Boston to advise it on options to improve shareholder value.

Johnson Matthey said in *November it was making the* electronic materials business a stand-alone entity as a first step to its disposal. Analysts estimate the business could be worth about £450m.

Analysts said the division could attract interest from US buyers, including Hicks, Muse, Tate & Furst, the venture capital firm, and Allied-Signal, the industrial group.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Brown & Jackson	6 mths to Dec 26	196.3	(154.7)	22♥	(13.3♠)	12.2†	(8.9)	-	-	-	-	nil
Danka Business	9 mths to Dec 31 ★	1,339	(1,514)	323.3L♠	(46.5♠)	140L	(14.5)	-	-	-	-	3.12
English & Overseas	Yr to Dec 31	13.8	(7.39)	1.7	(0.606)	4.66	(3.35)	0.66	-	0.15	1	0.75
Glaxo Wellcome	Yr to Dec 31	7,983	(7,980)	2,671♥	(2,686)	51.1	(52)	21	May 20	20	36	35
Halifax	Yr to Dec 31	-	(-)	1,705♠	(1,631♠)	47.5‡	(43.5)	13.5§	May 10	17.5	20.25	17.5
Howard Holdings	6 mths to Oct 31	3.29	(1.78)	0.346	(0.149)	0.98	(0.4)	-	-	-	-	0.8
Rank	Yr to Dec 31	2,057	(2,012)	51L♠	(260♠)	17L‡	(21.2)	12.75	Apr 30	12.75	18.5	18
Slug and Lettuce	6 mths to Nov 27 ★	12.3	(11.8)	1.13♥	(0.027♠)	6.28	(0.41L)	3.025	Apr 9	3.025	-	6.375

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Capital Opport'ies	14 mths to Nov 30	119.4	(-)	0.169L	(-)	1.06L	(-)	-	-	-	-	-
Charter European	Yr to Nov 30	514.1	(401.2)	5.69	(4.35)	7.03	(5.36)	2.8	Apr 9	4.2	6.75¶	6.1¶
Second St Davids	Yr to Nov 30	15.1	(18.8)	1.38	(1.43)	18.6	(17.46)	8	#	8	17	17
Updown	Yr to Dec 31	1,020	(937.8)	0.651	(0.736)	16.27	(18.41)	17	Mar 24	17	17	17

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★ Comparatives restated. ‡On reduced capital. §Special of 62p also proposed. ¶Includes foreign income dividend element. #Already paid.

Dividend stance aids Rank

By Elizabeth Robinson

Market confidence in Rank was partly restored yesterday despite the diversified leisure group reporting a dive into the red after heavy exceptional charges.

However, a 16 per cent drop in profits excluding exceptionals to £255m ($417m) was in line with expectations, and relief that the final dividend had been held at 12.75p, giving a total up 2.8 per cent at 18.5p, helped Rank's shares rise 22¼p to 226¼p.

A £98m charge to reflect the switch to the FRS 11 accounting standard for fixed assets, and £208m of charges and provisions for disposals left the group with a £51m pre-tax loss (£260m profit). Turnover was £2.06bn (£2.01bn).

Sir Denys Henderson, chairman of the group which includes Butlin's holiday camps and Hard Rock cafés, was upbeat about the current year. He said: "There are signs of a more positive trading environment in some of our businesses."

However, the full-year figures reflected a downturn in the second half, traditionally Rank's stronger period. Douglas Yates, acting chief executive, said the falls across many divisions were a result of refurbishments as part of a *£2bn capital expen*diture programme.

"A lot affected the second half but it puts the business on a pretty good footing for 1999 and beyond," he said.

The gaming arm also suffered in the second half, with full-year operating profits down 7 per cent to £53m. The Deluxe video duplication business reported flat profits of £88m.

EURO PRICES

EQUITIES

Europe rises as ECB holds interest rates

EUROPEAN OVERVIEW

By Philip Coggan

European markets managed a modest gain yesterday as they waited to see if the latest meeting of the European Central Bank would result in a rate change. After bourses closed, the ECB left rates at 3 per cent as most analysts had expected.

Share price performance was strongest in the euro-zone countries, with the FTSE Ebloc 100 index up 0.5 per cent, or 4.73 to 980.94. The FTSE Eurotop 100 index, weighed down by a flat UK market and a weak Swiss bourse, managed only a 0.1 per cent rise, or 1.76 to 2,749.4 while the broader Eurotop 300 inched up 10.4 to 1,198.55.

A weak finish on Wall Street on Wednesday, where the Dow Jones Industrial Average dropped 101 points, weighed on sentiment in early trading.

But that was offset by further takeover news, with Dutch insurer Aegon paying $9.7bn for Transamerica and by some solid corporate results. And then Wall Street managed a gradual rally after trading got under way yesterday.

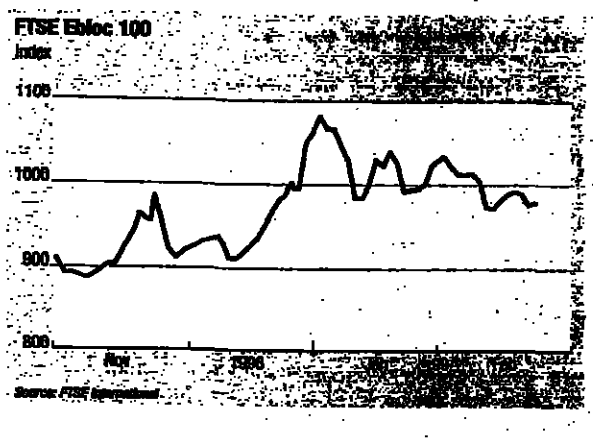
The settlement of the German pay dispute between IG Metall and the employers' association was well-received in the Frankfurt market, which bounced back from Wednesday's losses. The agreement – a 3.2 per cent rise plus a one-off 1 per cent payment – might yet prove a problem for German corporate profit margins, however.

Peter Oppenheimer, global strategist at HSBC, says his group is recommending an underweight position in Germany, which will not enjoy the same kind of growth as other countries in the euro-zone. He recommends an overweight position in France and Italy, where growth prospects are better and where, in the case of France, there is accumulating evidence of corporate restructuring.

In sectoral terms yesterday, the strongest areas were food and drug retailing, where well-received figures from Carrefour lifted the shares €65 to €619, and life assurance, where the favourable reaction to the Aegon deal helped the shares gain €4.7 to €89.3. Both sectors rose 2.3 per cent on the day.

The day's loser was household goods, down 3.4 per cent, as Gucci's trenchant defence to the LVMH bid caused the latter's shares to fall €11.8 to €200.7.

FTSE Ebloc 100 Index



Source: FTSE International

FTSE Actuaries Share Indices — European series

Feb 18 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1198.55	+0.09	+1.04	2.28	0.61	1234.78
FTSE Eurotop 100	2749.40	+0.06	+1.76	2.32	1.97	986.26
FTSE Ebloc 100	980.94	+0.48	+4.73	2.14	0.39	996.11
FTSE EuroMid	1178.30	−0.33	−3.88	2.83	1.22	1222.20
FTSE EuroMid Ebloc	1187.33	−0.17	−2.07	2.34	1.38	1213.84
FTSE EuroMid Ex UK	1224.80	−0.30	−3.69	2.21	0.95	1248.24
FTSE Eurotop 300 Regions						
Eurobloc	1229.84	+0.40	+4.87	2.08	0.69	1258.85
UK	1158.94	−0.08	−0.93	2.64	0.73	1215.53
Europe Ex-Eurobloc	1177.39	−0.23	−2.74	2.49	0.52	1220.05
Europe Ex-UK	1223.07	+0.18	+2.14	2.09	0.54	1246.50
FTSE Eurotop Industry Sectors						
RESOURCES	809.86	−0.89	−7.25	3.59	0.94	847.84
Mining	831.50	+1.64	+13.43	4.25	0.00	849.06
Oil & Gas	778.48	−1.00	−7.83	3.86	0.94	798.25
BASIC INDUSTRIES	1044.40	+0.14	+1.43	2.86	0.86	1067.52
Chemicals	804.60	+0.12	+0.95	2.81	0.85	819.47
Construction & Bld Matls	948.59	+0.20	+1.88	2.48	1.13	957.98
Forestry & Paper	865.72	+0.15	+1.32	4.45	0.00	905.30
GENERAL INDUSTRIALS	1105.12	+0.26	+2.76	2.44	1.04	1129.68
Aerospace & Defence	788.82	−1.93	−15.54	2.11	0.00	799.71
Diversified Industrials	967.74	+0.20	+1.97	2.10	0.00	989.87
Electronic & Elect Equip	996.85	−0.35	−3.52	1.89	1.50	1003.79
Engineering & Machinery	984.80	+1.44	+13.94	3.69	1.65	1000.08
CYCLICAL CONS GOODS	1291.87	−0.31	−4.01	2.42	0.00	1327.41
Automobiles	961.13	+0.28	+2.66	2.45	0.00	970.04
Household Goods & Texts	1247.92	−3.44	−44.50	2.28	0.00	1258.58
NON-CYC CONS GOODS	1210.96	−0.06	−0.72	1.50	0.05	1244.32
Beverages	920.80	+1.35	+12.30	2.95	0.00	940.68
Food Producers & Process	910.07	−0.88	−8.04	1.71	0.00	920.76
Health	841.47	+0.27	+2.29	6.92	0.00	854.08
Packaging	774.72	−0.68	−5.28	1.16	0.00	775.68
Personal Care & Hse Prods	1092.89	+1.63	+17.53	0.89	0.00	1102.22
Pharmaceuticals	1108.59	−0.07	−0.81	1.17	0.00	1114.61
Tobacco	1405.68	−1.59	−22.78	2.84	1.42	1433.84
CYCLICAL SERVICES	1283.88	+0.54	+6.85	2.39	0.95	1322.46
Distributors	700.93	−2.98	−21.51	4.21	0.00	708.80
General Retailers	1040.27	+1.26	+12.97	3.05	1.06	1062.81
Leisure Entertml & Hotels	936.38	+1.42	+13.07	2.19	6.02	955.85
Media & Photography	1185.12	+0.07	+0.84	1.93	0.00	1197.78
Rests, Pubs & Breweries	811.42	−0.39	−3.20	3.46	2.84	837.81
Support Services	1087.76	+0.18	+1.99	1.37	0.00	1099.30
Transport	947.86	+1.15	+10.78	2.65	1.81	967.25
NON-CYCLICAL SERVS	1340.52	+0.41	+5.50	1.51	0.44	1380.22
Food & Drug Retailers	1026.56	+2.28	+22.91	2.03	0.51	1042.74
Telecommunications Servs	1329.03	+0.01	+0.14	1.41	0.39	1349.24
UTILITIES	1451.67	−0.43	−6.31	3.08	3.71	1543.42
Electricity	1106.17	−0.99	−11.12	3.21	3.42	1145.03
Gas Distribution	1182.92	+0.39	+4.82	1.62	1.00	1303.50
Water	965.16	+1.75	+18.63	5.21	2.42	1013.38
FINANCIALS	1271.18	+0.30	+3.81	2.86	0.23	1306.11
Banks	898.11	+0.40	+3.62	3.39	0.28	911.17
Insurance	952.50	−0.45	−4.34	1.47	0.00	964.00
Life Assurance	1134.10	+2.27	+25.13	1.74	0.00	1148.82
Investment Companies	976.17	−0.81	−7.98	1.82	0.00	989.58
Real Estate	702.46	−1.18	−7.83	3.48	0.00	720.71
Speciality & Other Fin	897.85	+0.51	+4.56	2.52	0.00	912.54
INFORMATION TECH	893.90	−0.22	−1.94	0.70	0.04	898.04
Information Tech Hardware	933.82	−0.34	−3.16	0.78	0.00	935.84
Software & Computer Serv	770.73	+0.12	+0.92	0.49	0.15	772.70

Further information is available on http://www.ftse.com. © FTSE International Limited 1999. All rights reserved. "FTSE" and "Footsie" are registered trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. "Eurotop" is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop Indices are compiled by FTSE International.

OTHER INDICES

FTSE EUROTOP 300

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

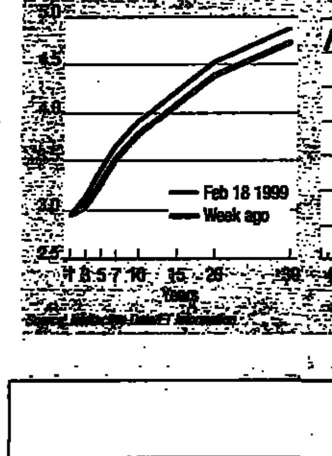
BONDS

INTEREST RATE SWAPS

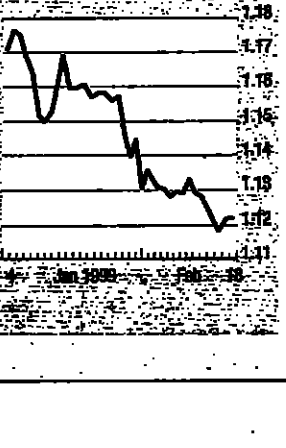
Feb 18	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.07	3.10	5.27	5.30	1.48	1.52	5.22	5.25	0.29	0.32
2 year	3.13	3.17	5.16	5.19	1.72	1.80	5.35	5.38	0.41	0.44
3 year	3.29	3.33	5.18	5.22	1.95	2.03	5.43	5.46	0.66	0.69
4 year	3.46	3.50	5.20	5.24	2.16	2.24	5.49	5.52	0.95	0.98
5 year	3.63	3.67	5.20	5.24	2.34	2.42	5.54	5.57	1.24	1.27
6 year	3.79	3.83	5.20	5.24	2.52	2.60	5.59	5.62	1.49	1.52
7 year	3.93	3.97	5.20	5.24	2.69	2.77	5.64	5.67	1.71	1.74
8 year	4.06	4.10	5.21	5.25	2.85	2.93	5.68	5.71	1.88	1.91
9 year	4.17	4.21	5.21	5.25	3.00	3.08	5.71	5.74	2.03	2.06
10 year	4.26	4.30	5.22	5.26	3.14	3.22	5.75	5.78	2.16	2.19
12 year	4.41	4.45	5.24	5.29	3.37	3.47	5.81	5.84	2.37	2.41
15 year	4.61	4.65	5.25	5.30	3.62	3.72	5.89	5.92	2.62	2.67
20 year	4.82	4.86	5.26	5.32	3.87	3.97	5.98	6.01	2.81	2.86
25 year	4.94	4.98	5.25	5.32	3.98	4.08	5.98	6.01	2.90	2.95
30 year	5.01	5.05	5.24	5.32	4.07	4.17	5.96	5.99	2.96	3.02

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve



Euro against the dollar



EURO-ZONE BONDS

Standard & Poor's ratings. Source: Interactive Data/FT Information.

US, European prices lose ground

BENCHMARK BONDS

By Florian Gimbel in London and John Labate in New York

Treasuries and European bonds lost ground yesterday, in spite of falling Japanese government bond yields.

Markets in the US and in Europe started the day on a positive note, buoyed by a continuing rally in JGBs but the momentum was lost, largely for domestic economic reasons.

US Treasuries were weaker but off their morning lows by midday after the release of producer price data. By early afternoon the benchmark 30-year bond was off 5/32 to 98 29/32, yielding 5.336 per cent. The 10-year note also fell, by 1/32 to 98, yielding 5.011 per cent.

The Producer Price Index for January rose 0.5 per cent, well above expectations. The rise in the main figure was the biggest since late 1996, but economists expressed little concern due to the fact that much of the rise came from the volatile food and energy sectors.

The core PPI, excluding the energy and food sectors, was down 0.1 per cent, below expectations.

Most analysts said the PPI data had little bearing on the market, but some disagreed.

"The market ignored the good news [the JGB rally] today and focused on the stronger than expected PPI figures," said David Brown, chief European economist at Bear Stearns.

Other analysts, however, pointed to internal determinants. "Investors are still overweight in Treasuries, with the underlying sentiment remaining quite weak," said Ifty Islam at Deutsche Morgan Grenfell.

European bonds were inspired by the strong JGB market, but gave up earlier gains during the day.

Analysts highlighted the effect of German finance minister Oskar Lafontaine's comments ahead of yesterday's European Central Bank meeting.

"His comments suggest a desire for a weaker euro and a return to deficit spending, which heightens inflation expectations at the long end of the [bund] yield curve," said one analyst.

"The benchmark bund future briefly broke through the crucial 115.72 level, but the market got scared of its own shadow and backed down again," said Mr Brown.

He thought the market was very jittery yesterday, being "technically on fragile ground". The 10-year German bund future ended 0.21 lower at 115.35.

UK gilts fell in response to higher than expected retail sales figures, showing a rise of 1.1 per cent in January, the strongest in seven months. The 10-year gilt closed 0.07 lower at 116.98.

"The 10-year future contracts bore the brunt of today's sell-off, with the front end remaining unmoved," said Andrew Roberts at Merrill Lynch. He thought recent releases of UK data would prompt the Bank of England to leave interest rates on hold.

"The market now discounts another 75 basis points cut, which we now regard as overly optimistic," he added.

E-mini Nasdaq contract for CME

By Nikki Tait in Chicago

The Chicago Mercantile Exchange, one of the two big US futures markets, plans to trade a scaled-down version of the Nasdaq 100 stock index futures contract, targeted at private investors and smaller institutions.

The move comes about 18 months after the CME launched a scaled-down version of its flagship S&P 500 index contract. The "E-mini" S&P 500 contract was devised partly in response to the rival Chicago Board of Trade's launch of contracts based on the Dow Jones Industrial Average.

The "E-mini" proved very successful and trading volumes easily exceeded CME expectations. In January, average daily volumes topped 31,700 contracts and it has become the third most actively traded contract on the Merc, after eurodollars and the standard S&P 500.

Yesterday, the exchange said an E-mini Nasdaq contract had been devised partly in response to requests from member firms for a product to augment the E-mini S&P and investor interest in internet-related stocks.

"The Nasdaq 100 includes many of the stocks in the popular hi-tech and internet area. E-mini Nasdaq 100 contracts will provide a very efficient method to manage the risk of the stocks in the index or to participate in one of the hottest market sectors," claimed Rick Kilcollin, the Merc's outgoing chief executive.

Officials added that they believe the E-mini Nasdaq 100 will also lead to increased trading in the main Nasdaq 100 stock futures contract, which was launched in 1996.

Japan moves to calm JGB market fears

By Naoko Nakamae and Gillian Tett in Tokyo

A Japanese finance ministry official yesterday said government bonds would be issued in line with market needs in the new fiscal year.

The comments were designed to calm market nerves after an about-turn earlier this week by the MoF's Trust Fund Bureau, the state institution that manages the postal savings system's funds.

The TFB said it would resume purchases of JGBs in the secondary market while the MoF said it would cut the supply of Y1,600bn of 10-year JGBs by Y400bn in March. Analysts were unsure whether the reversals were a one-off, or would continue into the new fiscal year.

The MoF now plans to issue a higher proportion of short-dated bonds, as well as Y400bn of 30-year bonds, which it would launch for the first time. It will issue Y5,200bn of two-year JGBs, Y5,000bn of four-year JGBs and Y5,000bn of six-year JGBs in fiscal 1999, and Y20,000bn of 10-year JGBs.

However, yesterday's comments may still not calm concern over the increase in the supply of 10-year JGBs in fiscal 1999.

The TFB said in December it would stop buying JGBs in 1999-2000, causing bond yields to rise to record levels and forcing the MoF to reverse the announcement.

Eisuke Sakakibara, an MoF official, defended the about-turn. "The decision by the TFB to buy bonds might look like a reversal of policy, but it was intended to calm the panic that had taken place in the market in January, when many Japanese banks rushed to cut losses by selling JGBs," he said.

There are currently no firm plans for the TFB to continue its buying operations in fiscal 1999, government officials say.

Indeed, the TFB is only scheduled to purchase Y2,800bn bonds next year, a fraction of the Y12,046bn (30 per cent of gross new issuance) it purchased this year.

Furthermore, its purchases next year will be of Treasury bills as opposed to 10-year JGBs, which constituted the bulk of its purchases this year.

Kiichi Miyazawa, finance minister, has denied the TFB will start selling its JGBs. "We have absolutely no intention of doing so," he said in December. "They're quite good assets and it's better to hold on to them."

Government officials have also said there are no plans to change the JGB issuance schedule or alter the maturity ranges. But they have indicated that theoretically, this could be reconsidered if market needs change.

Concern about oversupply is not confined to the JGB market. The government plans to issue Y2,500bn of government-guaranteed bonds next year but this figure does not include issues in the coming weeks.

The Deposit Insurance Corporation, the government body that funds bank reform, is expected to raise almost all its funds to support Y7,000bn to Y8,000bn of capital injections from the markets, by issuing government-guaranteed bonds.

Lebanon makes debut in euros

NEW ISSUES

By Arkady Ostrovsky

Lebanon became the first Middle Eastern country to borrow in euros yesterday.

In an attempt to diversify its investor base and attract European investors, Lebanon, rated BB- by Standard & Poor's, offered five-year bonds comprising €300m and $200m tranches.

The euro tranche was priced at 393 basis points over OATs; the dollar tranche at 355 basis points over US Treasuries.

Dan Vallimarescu at lead manager Merrill Lynch said the original intention was to issue €100m in the new currency and $250m in dollars.

"Issuing Lebanese bonds in euros was an experiment," said Mr Vallimarescu. "The question was whether investors in the Middle East were prepared to buy euros and whether European investors were ready to take on Lebanese debt in euros."

However, strong demand for the euro tranche led the bank to increase that tranche and to reduce the dollar offering. Lebanese debt that cannot be sold in the US is normally targeted at investors in the Middle East and to the Lebanese diaspora in Europe. "Last year, European institutions snubbed Lebanese bonds," Mr Vallimarescu said.

Lebanon, the most frequent Middle Eastern visitor to the international bond markets, was able to tap the markets during the worst phase of the financial crisis last September.

Abbey National, the UK retail bank, issued the UK's largest mortgage-backed bond, half of which was denominated in euros. The issue, which consist of three tranches, takes £1bn of mortgages off Abbey's balance sheet and repackages them into floating-rate bonds.

The tranches include £210m of 11-month bonds priced at 10 basis points over Libor, €700m of four-year bonds at 20 basis points over Euribor and £210m of seven-year bonds at 20 basis points over Libor.

Nick Morgan, head of structured debt syndicate at lead manager J.P. Morgan said the underlying portfolio of assets was too large to be absorbed by sterling investors. He said the spreads on sterling tranches tightened slightly after the launch, while the euro tranche was trading at par. Westpac, an Australian bank, last year issued a similar bond last year which is also trading at 20 basis point over Libor.

Issuance in euros was also boosted yesterday by the first Swedish corporate offering in the new currency. Vattenfall, the state-owned power company issued €250m of 12-year bonds. This is one of the longest euro-denominated bonds and was priced at 67 basis points over 10-year German bunds.

Elsewhere, British Sky Broadcasting issued $600m of 10-year global bonds, which were heavily subscribed by US investors.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Ford Motor Credit Corp	2bn	5.75#	99.974R	Feb 2004	0.325R	+63(4½%Feb04)	Bear Stearns/MSDW
British Sky Broadcasting	600	6.875	99.48	Feb 2009	0.650R	+188(4¾% 08)	Merrill Lynch
Austria	250(a)	5.25	99.70R	Oct 2009	0.325R	+49(4¾%Nov08)	Tokyo-Mitsubishi
Countrywide Home Equity	185	(b)	100.00R	Feb 2006	0.250R		Salomon Smith Barney
Lebanese Republic Class A	200	8.50	99.504R	Mar 2004	0.750R	+355(4% 04)	Merrill Lynch
EUROS							
Austria	1.1bn	4.00(a)	99.935R	Jul 2009	0.225R	+10§	Deutsche/Nomura/WDR
Holmes Funding Class A2	700	(c,d)	100.00	Dec 2025	0.150		JP Morgan
Abbey National Treasury	500	3.325(a)	99.747R	Jul 2004	0.275R	+25(3½%MO4)	Deutsche/Nomura
Lebanese Republic Class B	300	7.25	99.71R	Mar 2004	0.75R	+393(5% 04)	Merrill Lynch
Commerzbank	75	(e)	99.80R	Mar 2009	0.30R		Commerzbank
STERLING							
Holmes Funding Class A1‡	210	(g,h)	100.00	Dec 2025	0.10		JP Morgan
Holmes Funding Class A3‡	210	(h,i)	100.00	Dec 2025	0.20		JP Morgan
Holmes Funding Class B‡	52.5	(j,k)	100.00	Dec 2025	0.25		JP Morgan
Holmes Funding Class C‡	47.5	(k,l)	100.00	Dec 2025	0.50		JP Morgan
AUSTRALIAN DOLLARS							
National Australia Bank	100	5.50	101.27	Mar 2004	1.875		TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $750m. Plus 56 days accrued interest. b) 1-mth Libor plus 32bp. c) 3-mth Euribor plus 20bp until 15/3/06 then 3-mth Euribor +40bp. d) Annual floating coupon linked to the Rec 10-yr yield sub-index. g) 3-mth Libor +10bp until 15/3/06 then 3-mth Libor +20bp. h) 3-mth Libor +27bp until 15/3/06, then 3-mth Libor +54bp. j) 3-mth Libor +55bp until 15/3/06 then 3-mth Libor +110bp. k) 3-mth Libor +160bp until 15/3/06 then 3-mth Libor +320bp. n) Callable at par from 15/3/06. s) Spread relates to German govt bonds unless stated. § Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Feb 18	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.8687	4.89	–0.01	–0.01	+0.06	–0.26
	08/08	8.750	125.4436	5.30	–0.04	–0.04	+0.10	–0.48
Austria	07/00	5.875	103.8000	3.04	–0.03	+0.02	+0.06	–0.98
	01/08	5.000	106.9800	4.05	+0.02	+0.12	+0.20	–0.97
Belgium	01/00	4.000	100.9600	2.90	–0.03	–0.08	–	–1.10
	03/08	5.750	112.1100	4.12	+0.03	+0.15	+0.21	–0.87
Canada	12/00	5.000	99.9600	5.02	+0.01	+0.13	+0.22	–0.83
	06/08	6.000	106.3800	5.12	–	+0.06	+0.13	–0.26
Denmark	11/00	9.000	108.9400	3.54	+0.03	+0.05	+0.06	–0.58
	11/07	7.000	119.8200	4.23	+0.02	+0.13	+0.21	–1.00
Finland	06/00	4.000	101.2570	3.01	–	+0.05	+0.10	–0.61
	04/08	6.000	114.1870	4.11	+0.03	+0.14	+0.25	–0.83
France	07/00	4.000	101.2800	3.03	+0.01	+0.04	+0.13	–0.80
	10/05	7.750	124.0400	3.62	+0.03	+0.15	+0.21	–1.04
	10/08	8.500	135.5500	3.99	+0.03	+0.16	+0.27	–0.96
	04/29	5.500	109.7000	4.88	+0.02	+0.16	+0.25	–0.84
Germany	06/00	4.000	101.2800	2.98	+0.02	+0.01	+0.11	–0.82
	10/05	6.500	116.1100	3.71	+0.02	+0.13	+0.22	–0.98
	07/08	4.750	106.2100	3.94	+0.02	+0.18	+0.28	–0.98
	01/28	5.625	111.6600	4.88	–	+0.15	+0.22	–0.65
Greece	03/00	9.800	100.1449	9.62	+0.16	+0.11	–0.50	–5.67
	03/08	8.600	116.6248	6.18	+0.02	+0.12	–0.21	–4.75
Ireland	10/01	6.500	108.2800	3.20	+0.01	+0.10	+0.16	–1.58
	08/08	6.000	114.5500	4.11	+0.01	+0.15	+0.24	–1.06
Italy	04/01	4.500	102.7900	3.13	–	+0.07	+0.14	–1.53
	07/03	4.500	104.1000	3.46	+0.01	+0.12	+0.22	–1.37
	05/08	5.000	106.6800	4.12	+0.02	+0.16	+0.25	–1.14
	11/27	6.500	121.7100	5.06	+0.02	+0.18	+0.24	–0.72
Japan	12/00	6.900	111.8920	0.33	–0.05	–0.24	–0.27	–0.40
	12/03	4.100	113.8740	1.13	–0.08	–0.20	–0.16	–0.19
	06/08	1.800	99.3650	1.87	–0.05	–0.12	+0.03	+0.14
	03/18	2.700	98.3770	2.81	–0.04	–0.03	+0.12	+0.25
Netherlands	05/00	9.000	107.0800	2.99	+0.01	–0.01	+0.11	–0.91
	07/08	5.250	109.5500	4.01	+0.02	+0.14	+0.24	–0.87
New Zealand	02/01	8.000	105.6471	4.82	–0.05	–0.10	–0.06	–2.57
	07/09	7.000	111.5808	5.52	–0.08	–0.12	+0.03	–1.29
Norway	05/01	7.000	104.4000	4.88	–0.04	+0.06	–0.55	+0.74
	01/07	6.750	112.7000	4.78	–0.07	+0.14	–0.27	–0.39
Portugal	03/00	5.375	102.4200	3.05	–0.07	+0.01	+0.06	–1.09
	06/08	5.375	109.6400	4.11	+0.02	+0.15	+0.20	–1.05
Spain	04/00	6.750	104.0500	3.05	+0.09	+0.04	+0.12	–1.32
	01/08	6.000	113.9600	4.10	+0.03	+0.15	+0.23	–1.02
Sweden	05/00	10.250	108.0721	3.28	–0.02	–0.06	–0.08	–1.44
	05/08	6.500	117.1520	4.21	+0.01	+0.13	+0.21	–1.24
Switzerland	06/00	4.500	103.9500	1.39	–	–	+0.06	+0.12
	01/08	4.250	115.3000	2.32	–0.02	+0.02	–	–0.37
UK	11/01	7.000	105.5900	4.77	+0.07	+0.15	+0.15	–1.91
	12/03	6.500	108.4200	4.53	+0.03	+0.18	+0.23	–1.53
	10/08	9.000	134.7900	4.51	–	+0.16	+0.21	–1.44
	12/28	6.000	126.9900	4.37	–0.01	+0.09	+0.08	–1.53
US	08/00	4.500	98.3125	4.95	+0.02	+0.08	+0.28	–0.43
	08/03	5.250	100.8750	5.03	+0.02	+0.12	+0.36	–0.50
	05/08	5.625	103.6719	5.12	+0.02	+0.11	+0.30	–0.43
	08/28	5.500	99.6719	5.52	+0.02	+0.07	+0.30	–0.35

London closing. * New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Feb 18	Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.31	+1.38	+0.30
Austria	4.18	+0.25	–0.83
Belgium	4.11	+0.18	–0.90
Canada	5.13	+1.20	+0.12
Denmark	4.26	+0.33	–0.75
Finland	4.13	+0.20	–0.88
France	3.99	+0.06	–1.02
Germany	3.93	–	–1.08
Greece	6.15	+2.22	+1.14
Ireland	4.15	+0.22	–0.86
Italy	4.12	+0.19	–0.89
Japan	1.90	–2.03	–3.11
Netherlands	4.06	+0.13	–0.95
New Zealand	5.53	+1.60	+0.52
Norway	4.78	+0.85	–0.23
Portugal	4.20	+0.27	–0.81
Spain	4.20	+0.27	–0.81
Sweden	4.24	+0.31	–0.77
Switzerland	2.42	–1.51	–2.59
UK	4.47	+0.54	–0.54
US	5.01	+1.08	–

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Feb 18	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	95.1754	8.86	+0.07	–0.78	+3.95
Poland	07/04	7.125	BBB–	106.0013	5.78	+0.01	–0.12	+0.86
Russia	06/07	10.000	n/a	30.5500	37.70	–0.41	–6.70	+32.73
LATIN AMERICA								
Argentina	09/27	9.750	BB	83.2454	11.80	–0.01	+0.15	+6.50
Brazil	05/27	10.125	B+	68.4278	14.91	–0.16	–0.86	+9.61
Mexico	05/26	11.500	BB	108.9943	10.70	+0.14	–0.45	+5.42
ASIA								
China	07/06	7.750	BBB+	100.8122	7.59	–0.01	+0.49	+2.63
Philippines	10/16	8.750	BB+	94.0228	9.45	+0.14	–0.50	+4.33
Thailand	04/07	7.750	BBB–	99.7528	7.79	–0.13	+0.27	+2.82
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB–	102.5807	7.12	+1.23	+1.66	+2.24
South Africa	10/06	8.375	BB+	95.0841	9.29	–0.29	–0.43	+4.33
Turkey	09/07	10.000	B	89.2159	12.06	+0.16	+0.44	+7.09
BRADY BONDS								
Argentina	03/23	5.750	BB	69.7500	9.12	+0.04	–0.39	+3.89
Brazil	04/14	5.000	B+	59.2200	14.09	+0.01	–0.49	+9.00
Mexico	12/19	6.250	BB	76.7500	8.68	+0.05	–0.19	+3.51
Venezuela	03/20	6.750	B+	65.2500	11.02	+0.04	–0.39	+5.83

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.20	111.04	–0.15	111.42	111.00	28,760	91,054

LONG TERM EURO BOND OPTIONS (MATIF)

Germany

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	115.63	115.32	–0.21	115.81	115.25	577,866	504,925

NOTIONAL GERMAN BOND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.97	106.85	–0.10	106.23	106.85	180,145	218,560

NOTIONAL LFB SWAP FUTURES (LIFFE)*

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	113.58	113.36	–0.22	113.62	113.28	7985	43518

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	116.65	116.46	–0.15	116.95	116.35	14,648	22,718

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	117.22	116.98	–0.07	117.40	116.82	48227	89090
Jun	118.17	118.00	–	118.39	117.95	2561	6993

* LIFFE futures also traded on APT.

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	124-05	123-27	–0-08	124-15	123-26	416,450	528,454
Jun	123-23	123-13	–0-08	124-00	123-13	24,272	219,935
Sep	–	123-07	–	–	–	2	8,356

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.90	131.13	–	131.23	130.76	4537	n/a
Jun	129.88	129.98	–	130.09	129.81	1528	n/a

Euro

€ BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	109.80	109.38	–0.15	109.80	109.80	1	161

US CORPORATE BONDS

Feb 17	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA–	105.4461	5.45	–0.04	+0.21	+5.45
NY Tel	08/25	7.00	A+	100.8679	6.92	–0.04	+0.17	+1.61
CWE	05/08	8.00	BBB	114.0627	5.99	–0.05	+0.14	+1.01
FINANCIALS								
GECC	05/07	8.75	AAA	119.1003	5.80	–0.05	+0.28	+0.82
Banc One	08/02	7.25	A	104.6885	5.68	–0.05	+0.14	+5.66
CNA Fin	01/18	6.95	A–	99.2823	7.01	–0.05	–0.07	+1.70
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0244	5.87	–	+0.11	+1.41
Wal Mart	05/02	6.75	AA	104.8146	5.11	–0.05	+0.16	+5.11
Dayton Hud	05/21	9.70	A–	135.5397	6.56	–0.01	+0.02	+1.24
AGENCIES								
FHLMC	04/07	7.14	N/A	110.1893	5.56	–0.06	+0.23	+0.58
SLMA	03/00	7.50	N/A	102.3631	5.16	–0.07	+0.08	+0.70
FNMA	02/18	8.95	N/A	134.8062	5.88	–0.04	+0.24	+0.57
FFCB	06/06	8.95	N/A	120.3471	5.51	–0.06	+0.25	+0.53
HIGH YIELD								
Stone Cont	02/01	9.88	B	101.8750	0.00	–	–	–
AK Stl	12/01	9.13	BB–	106.0000	0.00	–	–	–
Pacalta	06/04	10.75	B–	76.5000	0.06	–	–	–

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest

		One month	-	Two year	4.87
Prime rate	7¾	Two month	-	Three year	4.90
Broker loan rate	6½	Three month	4.53	Five year	4.92
Fed.funds	4 11/16	Six month	4.61	10-year	5.00
Fed.funds at intervention	-	One year	4.70	30-year	5.33

Treasury Bills and Bond Yields

INTERNATIONAL BONDS

Feb 18	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
US $								
EIB	04/07	7.250	AAA	110.1451	5.66	+0.02	+0.29	+0.69
ABN Amro	08/07	7.125	AA–	105.2360	6.29	+0.02	–0.02	+1.32
Quebec	01/07	7.000	A+	105.9122	6.05	+0.02	+0.20	+1.08
Citicorp FRN	02/04	5.312	AA–	98.2351	5.72	+0.01	–0.77	+0.80
DM								
Bayer L-Bk	08/04	9.600	AAA	117.8834	5.60	–0.01	+0.21	+0.19
Toronto (M of)	05/04	8.500	AA+	113.1949	5.53	+0.01	+0.08	+0.12
Bell Canada	07/99	10.625	A+	101.8687	5.46	–0.03	+0.20	+1.27
Deutsche B FRN	08/02	5.875	AA+	100.7442	5.64	–0.02	+0.16	+0.31
£								
EIB	12/07	7.625	AAA	117.5021	5.10	+0.01	–0.04	+0.47
Dresdner Bk	12/07	7.750	AA–	112.2286	5.92	+0.01	+0.16	+1.29
British Gas	03/00	7.625	A+	102.1250	5.57	–0.03	+0.04	+0.59
Abbey Nat FRN	02/02	7.136	AA	100.4001	4.28	–0.03	+0.01	–0.45
SFR								
EIB	01/08	3.750	AAA	103.4592	3.30	–0.02	–0.02	+0.97
Brit Columbia	02/02	3.250	AA	103.8384	1.92	–	+0.02	+0.30
Hydro–Quebec	05/01	6.750	n/a	109.0233	2.55	–	+0.04	+1.05
Gen Elect.	09/01	1.711	n/a	99.6443	1.51	+0.01	+0.04	+0.01
YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.3166	0.54	–0.07	–0.17	–0.10
Spain (Kingdom)	03/02	5.750	AA	115.4836	0.66	–0.08	–0.12	+0.02
Cred Foncier	08/02	4.750	A	112.3227	1.10	–0.09	–0.24	+0.46
Italy (Rep of)	07/99	0.516	AA	100.0737	0.18	–0.01	–0.21	+0.02
A$								
IBRD (World Bk)	02/08	6.000	AAA	102.0608	5.70	–0.04	+0.12	+0.41
Nw Sth Wales Tr	05/06	6.500	n/a	104.5883	5.71	–0.04	+0.06	+0.51
S. Aus Gov Fin	06/03	7.750	AA	107.5137	5.74	–0.02	+0.05	+0.73
GMAC Aust	05/01	8.000	n/a	106.9065	5.62	–0.02	–0.01	+0.72

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Government Securities

UK Indices

FT Fixed Interest Indices

UK GILTS PRICES

Other Fixed Interest

Japan moves
o calm JGB
narket fears

Dollar punches through recent highs

MARKETS REPORT

By Melanie Carroll

All eyes were on the dollar's continued rise against the yen yesterday, reaching a 10-week high late in the London session before easing back slightly.

The dollar hit Y120, having stalled for most of the second half of the London session just under the magic level after traders reported dollar offers below Y120 to protect option knockouts.

It closed in London at Y119.8, with dealers expecting a continued rise today.

Meanwhile the pound held steady, ignoring the unexpectedly strong retail sales data released yesterday.

Some analysts do not expect any further interest rate cuts in the short term from the Bank of England, saying the Bank is more likely to react to the big picture than to individual pieces of news.

■ Japanese officials continued to talk down the weakening yen yesterday.

Yasuhisa Shiozaki, a senior Liberal Democrat Party official, stated the US and Japan would not flinch at the currency falling to between Y120 and Y130.

Cameron Crise, currency strategist at Warburg Dillon Read in London, said the entrance of the Bank of Japan and the finance ministry into the repo market yesterday was also significant.

"It didn't get much publicity at the time but they injected Y500bn via the repo market, affirming the promise that the BoJ made on Friday to use the repo facility," he said.

He said it was hard to tell what the Japanese would do if the yen continued to fall too much longer, despite official tolerance.

"Stability is what they really want, and in the currency market that's not likely to happen because there are such strong forces in other ways," he added.

■ The euro received some respite yesterday after its recent pounding, although trade in the currency was overshadowed by talk of an expected political tussle at the European Central Bank's governing council meeting.

The euro hit an new high against the yen, reaching Y134.5 at the close of trading in London. It also rose slightly against the dollar.

The ECB's policy-making council spent the day discussing monetary policy, with the expected no-change decision on interest rates arriving after London closed. However, the market was troubled by the presence at the meeting of Oskar Lafontaine, the German finance minister, who is considered to favour interest rate cuts.

Mr Lafontaine has expressed fears in the past that the euro is overvalued, and said that the real interest rate is quite high given the current low inflation rate.

■ There may be more trouble ahead for the Russian rouble, although some analysts are expecting stability in the short term.

Mark Mobius, emerging markets head analyst at Templeton Investment Management, said yesterday he tipped Russia as the leading emerging market over the next year, followed by the Indonesian and South African markets.

Mr Mobius said he believed the Russian government would set policy into place over the year to bring about economic stability and investor confidence.

However, analysts warn a dramatic slide could be in store for the rouble in the near future if it continues its current fall through to the psychological barrier of Rbs23.50.

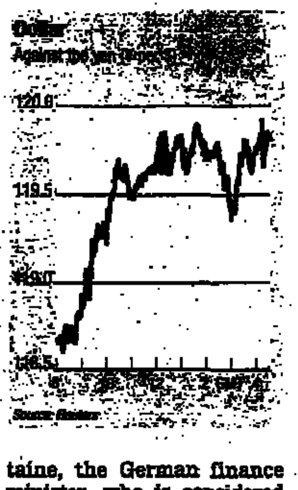
The official exchange rate was set at Rbs22.92 per dollar for today, slightly lower than yesterday's Rbs22.87.

Cameron Crise at Warburg Dillon Read said he did not think people had forgotten the large amounts of money lost in Russia last year.

Mr Crise said he thought the outlook for Poland and Hungary was much better, particularly as both countries had weathered the turmoil thrown up by Russia and Brazil.

"For most mainstream investors, Russia's off the radar. For Poland and Hungary, the domestic situations are nice, they've got strong growth," Mr Crise said.

"Although their current account deficits are uncomfortable, they're funded through foreign direct investment which is better then short term investment flows," he said.



■ POUND IN NEW YORK

Feb 18	—Latest—	— Prev. close —
£ spot	1.6340	1.6350
1 mth	1.6332	1.6342
3 mth	1.6325	1.6335
1 yr	1.6344	1.6352

■ OTHER CURRENCIES

Feb 18	£	$
Czech Rp	54.8118 - 54.8598	33.5810 - 33.5800
Hungary	366.376 - 366.815	224.530 - 224.530
Iran	4901.10 - 4899.60	3000.00 - 3000.00
Kuwait	0.4957 - 0.4980	0.3035 - 0.3036
Peru	5.5316 - 5.5366	3.3870 - 3.3880
Poland	6.1947 - 6.2081	3.7930 - 3.8000
Russia	37.8128 - 37.8895	23.0800 - 23.0700
U.A.E.	5.9963 - 6.0007	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.0
Belgium*	(BFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	102.8
Denmark	(DKr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	106.1
Finland*	(FM)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	81.6
France*	(FFr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	106.2
Germany*	(DM)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	104.0
Greece	(Dr)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	63.0
Ireland*	(I£)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	94.1
Italy*	(L)	2818.39	-1.2100	721 - 958	2821.11	2811.48	2813.09	2.3	2802.42	2.3	2759.16	2.1	75.7
Luxembourg*	(LFr)	58.7179	-0.0251	932 - 426	58.7740	58.5730	58.6073	2.3	58.3852	2.3	57.4838	2.1	102.8
Netherlands*	(Fl)	3.2077	-0.0014	063 - 090	3.2107	3.1996	3.2016	2.3	3.1895	2.3	3.1402	2.1	102.2
Norway	(NKr)	12.7303	+0.0679	243 - 363	12.7668	12.6292	12.7504	-1.9	12.7867	-1.8	12.8229	-0.7	91.2
Portugal*	(Es)	291.817	-0.1250	695 - 940	292.098	291.108	291.267	2.3	290.184	2.3	285.695	2.1	92.2
Spain*	(Pta)	242.188	-0.1030	086 - 290	242.420	241.590	241.732	2.3	240.818	2.3	237.098	2.1	78.9
Sweden	(SKr)	13.0072	+0.0357	970 - 173	13.0270	12.9425	12.9848	2.1	12.9384	2.1	12.7629	1.9	82.7
Switzerland	(SFr)	2.3266	-0.0005	254 - 277	2.3286	2.3200	2.3188	4.0	2.3026	4.1	2.2429	3.6	107.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.3
Euro	(€)	1.4556	-0.0006	550 - 562	1.4570	1.4517	1.4528	2.3	1.4473	2.3	1.425	2.1	-
SDR†	-	1.185400	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6333	-0.0023	330 - 335	1.6380	1.6328	-	-	-	-	-	-	-
Brazil	(R$)	3.1036	-0.0371	867 - 204	3.1259	3.0827	-	-	-	-	-	-	-
Canada	(C$)	2.4309	-0.0195	297 - 321	2.4473	2.4295	2.43	0.4	2.4288	0.3	2.429	0.1	78.8
Mexico	(New Peso)	16.1385	-0.0984	279 - 491	16.2142	16.1229	16.4245	-21.3	17.0593	-22.7	19.6213	-21.6	-
USA	($)	1.6335	-0.0023	332 - 337	1.6383	1.6330	1.6327	0.6	1.632	0.4	1.6338	0.0	106.6
Pacific/Middle East/Africa													
Australia	(A$)	2.5704	-0.0077	679 - 728	2.5803	2.5663	2.5689	0.7	2.5665	0.6	2.5636	0.3	81.0
Hong Kong	(HK$)	12.6562	-0.0171	534 - 589	12.6927	12.6526	12.6697	-1.2	12.6996	-1.4	12.9934	-2.7	-
India	(Rs)	69.3236	-0.1202	048 - 424	69.5290	69.3030	69.6262	-5.2	70.4487	-6.5	74.5552	-7.5	-
Indonesia	(Rupiah)	14435.82	+204.57	216 - 909	14551.50	14159.90	14763.22	-27.2	15621.29	-32.9	18809.84	-30.3	-
Israel	(Shk)	6.6434	+0.0082	344 - 524	6.6532	6.6305	-	-	-	-	-	-	-
Japan	(Y)	195.720	+1.2370	641 - 799	196.220	193.830	194.88	5.2	193.195	5.2	186.285	4.8	128.3
Malaysia	(M$)	6.2071	-0.0088	071 - 071	6.2254	6.2058	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.0289	-0.0133	256 - 321	3.0392	3.0250	3.0259	1.3	3.0209	1.1	3.0166	0.4	92.8
Philippines	(Peso)	63.2148	-0.0073	599 - 692	63.4721	62.8965	63.539	-6.5	64.3086	-6.9	68.1039	-7.7	-
Saudi Arabia	(SR)	6.1279	-0.0074	266 - 292	6.1443	6.1265	6.1334	-1.1	6.151	-1.5	6.2475	-2.0	-
Singapore	(S$)	2.7781	+0.0014	768 - 793	2.7842	2.7627	2.7716	2.8	2.757	3.0	2.7189	2.1	-
South Africa	(R)	10.0702	+0.0062	605 - 799	10.1332	10.0598	10.1534	-9.9	10.3201	-9.9	10.9686	-8.9	-
South Korea	(Won)	1930.57	+8.5600	848 - 267	1938.06	1922.52	-	-	-	-	-	-	-
Taiwan	(T$)	52.8422	-0.0744	524 - 319	52.9520	52.7214	53.0988	-5.7	53.2732	-3.3	54.0446	-2.3	-
Thailand	(Bt)	60.5194	+0.0457	284 - 103	62.0670	59.8560	60.6284	-2.2	60.9103	-2.6	62.5727	-3.4	-

† Rates for Feb 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	12.2619	+0.0120	586 - 652	12.2674	12.2032	12.2448	1.7	12.2041	1.9	12.002	2.1	102.7
Belgium*	(BFr)	35.9472	+0.0352	376 - 568	35.9630	35.7750	35.8971	1.7	35.7777	1.9	35.1853	2.1	102.8
Denmark	(DKr)	6.6258	+0.0059	238 - 278	6.6288	6.5940	6.6193	1.2	6.6023	1.4	6.5175	1.6	105.3
Finland*	(FM)	5.2983	+0.0052	969 - 997	5.3006	5.2729	5.2909	1.7	5.2733	1.9	5.186	2.1	80.9
France*	(FFr)	5.8453	+0.0057	437 - 468	5.8479	5.8173	5.8372	1.7	5.8178	1.9	5.7214	2.1	105.6
Germany*	(DM)	1.7429	+0.0017	424 - 433	1.7436	1.7345	1.7404	1.7	1.7346	1.9	1.706	2.1	103.6
Greece	(Dr)	286.670	+0.4600	520 - 820	287.020	285.400	287.745	-4.5	289.87	-4.5	297.02	-3.6	62.7
Ireland*	(I£)	1.4249	-0.0014	245 - 253	1.4318	1.4243	1.4269	-1.7	1.4317	-1.9	1.4558	-2.2	-
Italy*	(L)	1725.42	+1.6900	496 - 588	1726.19	1717.16	1723.02	1.7	1717.29	1.9	1688.85	2.1	75.4
Luxembourg*	(LFr)	35.9472	+0.0352	376 - 568	35.9630	35.7750	35.8971	1.7	35.7777	1.9	35.1853	2.1	102.8
Netherlands*	(Fl)	1.9638	+0.0019	632 - 643	1.9646	1.9543	1.961	1.7	1.9545	1.9	1.9222	2.1	102.1
Norway	(NKr)	7.7935	+0.0525	910 - 960	7.8132	7.7140	7.8096	-2.5	7.8355	-2.2	7.8487	-0.7	90.9
Portugal*	(Es)	178.651	+0.1750	603 - 699	178.730	177.800	178.402	1.7	177.809	1.9	174.865	2.1	92.6
Spain*	(Pta)	148.268	+0.1450	228 - 307	148.330	147.560	148.052	1.7	147.569	1.9	145.125	2.1	76.6
Sweden	(SKr)	7.9630	+0.0330	580 - 680	7.9740	7.9066	7.9532	1.5	7.9285	1.7	7.812	1.9	82.6
Switzerland	(SFr)	1.4243	+0.0017	238 - 248	1.4255	1.4160	1.4202	3.4	1.4109	3.7	1.3728	3.6	107.5
UK	(£)	1.6335	-0.0023	332 - 337	1.6383	1.6330	1.6327	0.6	1.632	0.4	1.6338	0.0	100.8
Euro	(€)	1.1222	-0.0011	219 - 225	1.1278	1.1218	1.1238	-1.7	1.1275	-1.9	1.1465	-2.2	-
SDR†	-	0.72483	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.9000	-0.0200	900 - 100	1.9100	1.8900	-	-	-	-	-	-	-
Canada	(C$)	1.4882	-0.0086	877 - 887	1.4950	1.4875	1.4884	-0.2	1.4885	-0.1	1.4868	0.1	78.1
Mexico	(New Peso)	9.8800	-0.0450	750 - 850	9.8870	9.8750	10.06	-21.9	10.45	-23.1	12.01	-21.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.8
Pacific/Middle East/Africa													
Australia	(A$)	1.5736	-0.0024	723 - 748	1.5783	1.5674	1.5733	0.3	1.5728	0.2	1.5721	0.1	80.7
Hong Kong	(HK$)	7.7481	+0.0004	476 - 486	7.7492	7.7475	7.7596	-1.8	7.7821	-1.8	7.9531	-2.8	-
India	(Rs)	42.4400	-0.0138	350 - 450	42.4708	42.4270	42.6482	-5.8	43.17	-6.9	45.636	-7.5	-
Indonesia	(Rupiah)	8837.50	+137.50	000 - 500	8900.00	8642.00	9042.5	-27.8	9572.5	-33.3	11512.5	-30.3	-
Israel	(Shk)	4.0671	+0.0107	622 - 720	4.0725	4.0566	-	-	-	-	-	-	-
Japan	(Y)	119.820	+0.9250	790 - 850	120.040	118.370	119.365	4.6	118.385	4.8	114.005	4.9	130.4
Malaysia‡	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8543	-0.0055	525 - 560	1.8580	1.8498	1.8525	1.2	1.8508	0.8	1.8512	0.2	-
Philippines	(Peso)	38.7000	+0.0500	500 - 900	38.8500	38.5500	38.93	-7.1	39.408	-7.3	41.6955	-7.7	-
Saudi Arabia	(SR)	3.7515	+0.0007	513 - 517	3.7522	3.7507	3.7567	-1.7	3.7692	-1.9	3.824	-1.9	-
Singapore	(S$)	1.7007	+0.0032	002 - 012	1.7017	1.6995	1.6976	2.2	1.6894	2.7	1.6642	2.1	-
South Africa	(R)	6.1650	+0.0125	600 - 700	6.2000	6.1500	6.219	-10.5	6.324	-10.3	6.7138	-8.9	-
South Korea	(Won)	1181.90	+6.8000	080 - 300	1184.00	1180.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.3500	-	000 - 000	32.4000	32.3000	32.52	-6.3	32.645	-3.6	33.08	-2.3	-
Thailand	(Bt)	37.0500	+0.0800	000 - 000	37.9300	36.0500	37.135	-2.8	37.325	-3.0	38.3	-3.4	-

† SDR rate per $ for Feb 11. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Feb 11. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Feb 18	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	3	[illegible]	[illegible]	3	[illegible]	-	3.00	3.00
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	5	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.74	4.78	4.82	4.96	-	-	-
Euro Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
BBA Euro Libor	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
Euro Euribor	-	3.093	3.079	3.035	3.031	-	-	-
EONIA	3.02	-	-	-	-	-	-	-
EURONIA	3.0137	-	-	-	-	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds)

INTERNATIONAL CURRENCY RATES

Feb 18	Short term	7 days notice	One month	Three months	Six months	One year
Euro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

[illegible]

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

[illegible]

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

[illegible]

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

[illegible]

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

[illegible]

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.43	16.26	4.848	1.952	4800	5.463	21.68	497.0	412.5	22.15	3.962	1.703	4.140	2.782	333.3	2.479
Denmark	(DKr)	54.25	10	8.822	2.630	1.059	2604	2.964	11.76	269.6	223.8	12.02	2.150	0.924	2.246	1.509	180.8	1.345
France*	(FFr)	61.50	11.34	10	2.982	1.201	2952	3.360	13.33	305.6	253.7	13.62	2.437	1.047	2.546	1.711	205.0	1.525
Germany*	(DM)	20.63	3.802	3.354	1	0.403	990.0	1.127	4.472	102.5	85.07	4.569	0.817	0.351	0.854	0.574	68.75	0.511
Ireland*	(I£)	51.22	9.441	8.329	2.483	1	2459	2.798	11.11	254.6	211.3	11.35	2.030	0.872	2.121	1.425	170.7	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.452	10.35	8.593	0.462	0.083	0.035	0.086	0.058	6.944	0.052
Netherlands*	(Fl)	18.31	3.374	2.977	0.888	0.357	878.6	1	3.969	90.97	75.50	4.055	0.725	0.312	0.758	0.509	61.02	0.454
Norway	(NKr)	46.12	8.502	7.500	2.236	0.901	2214	2.520	10	229.2	190.2	10.22	1.828	0.786	1.910	1.283	153.7	1.143
Portugal*	(Es)	20.12	3.709	3.272	0.976	0.393	965.8	1.099	4.362	100	82.99	4.457	0.797	0.343	0.833	0.560	67.07	0.499
Spain*	(Pta)	24.24	4.469	3.942	1.175	0.473	1164	1.324	5.256	120.5	100	5.371	0.961	0.413	1.004	0.674	80.81	0.601
Sweden	(SKr)	45.14	8.321	7.341	2.189	0.881	2167	2.466	9.787	224.4	186.2	10	1.789	0.769	1.869	1.256	150.5	1.119
Switzerland	(SFr)	25.24	4.652	4.104	1.224	0.493	1211	1.379	5.472	125.4	104.1	5.591	1	0.430	1.045	0.702	84.13	0.626
UK	(£)	58.72	10.82	9.548	2.847	1.146	2818	3.208	12.73	291.8	242.2	13.01	2.327	1	2.431	1.634	195.7	1.456
Canada	(C$)	24.15	4.452	3.928	1.171	0.472	1159	1.320	5.237	120.0	99.63	5.351	0.957	0.411	1	0.672	80.51	0.599
USA	($)	35.95	6.626	5.845	1.743	0.702	1725	1.964	7.794	178.7	148.3	7.963	1.424	0.612	1.488	1	119.8	0.891
Japan	(Y)	30.00	5.530	4.878	1.455	0.586	1440	1.639	6.504	149.1	123.7	6.646	1.189	0.511	1.242	0.835	100	0.744
Euro	(€)	40.34	7.436	6.560	1.956	0.788	1936	2.204	8.746	200.5	166.4	8.936	1.598	0.687	1.670	1.122	134.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5755	0.5748	-0.0005	0.5773	0.5747	6,968	58,142
Jun	0.5778	0.5778	-0.0003	0.5778	0.5778	28	1,673
Sep	-	0.5811	-	-	-	1	167

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8425	0.8364	-0.0059	0.8473	0.8361	40,254	69,392
Jun	0.8568	0.8467	-0.0057	0.8580	0.8462	273	5,239
Sep	-	0.8629	-	-	-	4	1,494

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7060	0.7049	+0.0001	0.7080	0.7041	7,880	55,686
Jun	0.7108	0.7115	+0.0001	0.7118	0.7108	89	530
Sep	-	0.7184	+0.0005	0.7184	-	3	289

■ STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6350	1.6320	-0.0020	1.6378	1.6316	5,283	54,485
Jun	1.6330	1.6316	-0.0018	1.6348	1.6310	42	1,884
Sep	-	1.6330	-0.0006	1.6340	1.6330	260	230

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (CME) $1m per 100%

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.00	Smith & Williamson	5.50
Allied Irish Bank (GB)	5.50	•Robert Fleming & Co	5.50	Sun Bank	5.50
•Henry Ansbacher	5.50	Habib Bank AG Zurich	5.50	TSB	5.50
Banco Bilbao Vizcaya	5.50	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.50	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.50
Bank of Ireland	5.50	•Hambros Bank	5.50	Whiteaway Laidlaw	5.50
Bank of India	5.50	Hongkong & Shanghai	5.50	Yorkshire Bank	5.50
Bank of Scotland	5.50	Investec Bank (UK) Ltd	5.50		
Barclays Bank	5.50	Julian Hodge Bank	6.00	• Members of London Investment Banking Association	
Brit Bk of Mid East	5.50	•Leopold Joseph & Sons	5.50		
•Brown Shipley & Co Ltd	5.50	Lloyds Bank	5.50		
Citibank NA	5.50	Midland Bank	5.50		
Clydesdale Bank	5.50	NatWestminster	5.50		
The Co-operative Bank	5.50	•Rea Brothers	5.50		
Coutts & Co	5.50	Royal Bk of Scotland	5.50		
Cyprus Popular Bank	5.50	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	•Singer & Friedlander	5.50		

Warning on volatility of palladium

MARKETS REPORT

By Gillian O'Connor, Robert Corzine and Paul Solman

Palladium's *volatile supply* and consequent price rises could endanger the precious metal's future, analysts Roskill warned yesterday.

As prices of platinum and palladium converge, one of the main reasons for using palladium disappears and, although it is technically superior to platinum when used in motor vehicle catalysts, platinum could win back customers.

Yesterday, palladium was slightly cheaper than its sister metal at $347 an ounce against $369 but at the start of the decade it cost only a quarter as much. Russia supplies roughly two-thirds of the world's palladium and Roskill said it "seems incapable of meeting demand".

Ross Norman of Precious Metals Research said some uses required twice as much palladium as platinum. Adapting plant was expensive, so *if manufacturers* switched, they were unlikely to switch back.

Three-month zinc, nickel and tin all closed firmer on the London Metal Exchange yesterday but copper fell through the key $1,400 a tonne level to a new 11-year low of $1,393 a tonne.

Crude oil prices were generally flat as the markets mulled over yet more contradictory inventory data from the US, the world's biggest *petroleum market*.

Brent Blend for April delivery was up 3 cents in late trading on London's International Petroleum Exchange to $10.16 a barrel.

Prices had received a boost earlier when the Department of Energy in Washington published data showing a 1.7m barrel decline in US crude stocks over the week. That contradicted American Petroleum Institute data showing a 2.6m barrel rise.

The level of oil inventories in the US has become a key bellwether for crude prices, given the extent of the global surplus, but some analysts say the erosion of the US surplus of refined products is a prerequisite to any revival in crude prices.

Robusta coffee futures fell on the London International Financial Futures and Options Exchange, the May contract closing at $1,630 a tonne, down $20.

Colombia said up to 150,000 bags of exports would be delayed as a result of last month's earthquake. The disaster did not destroy the crop but has damaged mills and processing plants. Colombia is the world's second largest coffee exporter.

Antibiotics under fire in farming

Drugs that promote growth are causing widespread concern, says **Edward Alden**

Antibiotics have often been described as wonder drugs, and nowhere does that description fit better than in livestock farming. *For reasons still not* widely understood, adding low levels of antibiotics to the daily feed of cattle, pigs, poultry and sheep not only prevents disease but allows the animals to grow as much as 5 per cent faster, which means higher profits for the farmers that use them.

However, the practice, which is widespread in North America and most of Europe, is coming under scrutiny because of concern about antibiotic resistant "superbugs".

Hospitals are seeing more outbreaks of infections resistant to even the most powerful antibiotics. The first reported case of an infection resistant to vancomycin, the antibiotic of last resort, occurred in a New York hospital in 1989. Over the next four years, the incidence of such infections grew 20-fold.

While blame has been put on indiscriminate use of antibiotics in humans – which encourages the mutation of bacteria resistant to drugs – scientists believe heavy use in agriculture is partly responsible.

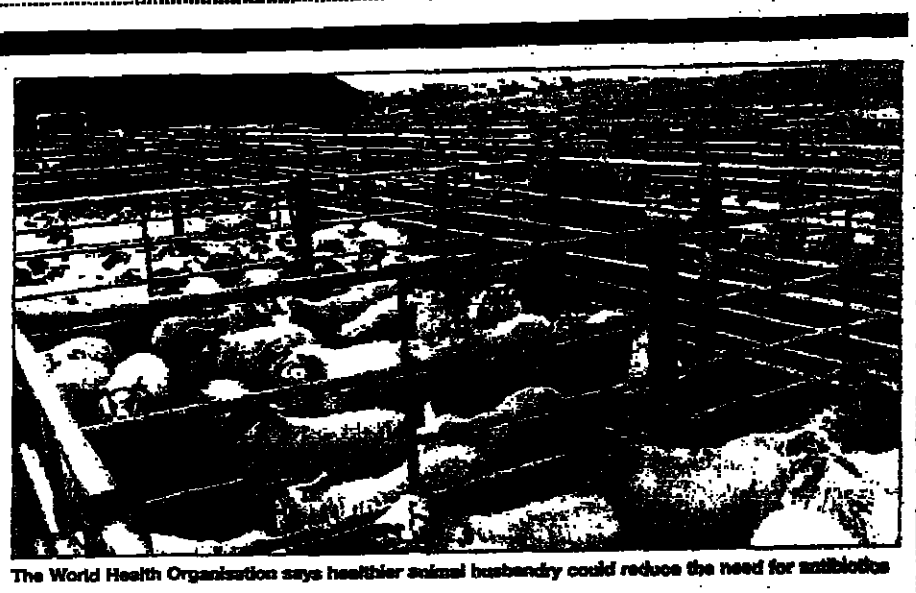
The European Commission announced late last year it was banning non-therapeutic use of four different antibiotics widely used to promote livestock growth. The ban, which is estimated to cost chemical companies as much *as £500m a year in lost sales*, has drawn vigorous protests from both farmers and pharmaceutical manufacturers.

The US Food and Drug Administration published draft guidelines in November indicating it was prepared to curb the agricultural use of antibiotics important in human medicine. New drugs will be restricted if they are shown to encourage the growth of resistant bacteria.

Canada is setting up a scientific task force to increase surveillance of both livestock and fish farming to determine if specific resistant strains developing in animals are migrating to humans.

George Khachatourians, a microbiologist at the University of Saskatchewan's agricultural college, says resistant strains from animals may be responsible for human diseases that cannot be treated by antibiotics. "Antibiotics are sacred drugs and we have to be extremely conservative with the use of the ones we have," he says.

Conservative, he argues, is not a word that describes what farmers are doing. In a recent issue of the Canadian Medical Association Journal, Dr Khachatourians wrote that recommended dosages for antibiotics had increased 10 to 20 times since the 1950s and 90 per cent of usage was for growth promotion rather than treating infection.



The World Health Organisation says healthier animal husbandry could reduce the need for antibiotics

Scientists suspect at least four strains of disease-causing bacteria – including salmonella and e.coli – have been transferred from animals to humans but agricultural and pharmaceutical industry groups disagree.

"While bacteria can be transferred from food to people, there are no conclusive data showing that animal to human transfer of resistant organisms causes illness in people to any significant degree," says the US Animal Health Institute, which represents manufacturers of *veterinary drugs*.

FEDESA, the European federation of animal health industries, which represents pharmaceutical companies, says the European Union has jumped the gun by restricting the use of growth-promoting antibiotics before all the scientific evidence has been gathered.

Rebecca Irwin, food co-ordinator for Health Canada, agrees the science is still murky. "Trying to nail down a specific linkage between a particular practice on a farm and a negative human health outcome is very difficult," she says. National regulatory agencies are in the awkward position of "trying to come up with policies ahead of the science that tells you what will work and what won't work".

The competitive implications of moving too fast to ban growth drugs are significant. "It immediately puts your farming community at a severe economic disadvantage," Ms Irwin says.

Supporters of the ban say *countries such as* Sweden and Denmark that have restricted the use of antibiotics as growth-promoters have compensated in other ways. A conference of World Health Organisation experts in 1997 concluded that healthier animal husbandry practices could reduce the need for antibiotics without lowering productivity.

Other studies in Sweden, where growth-promoting antibiotics have been banned since 1986, have concluded that the ban has lowered productivity, increased costs and resulted in heavier use of antibiotics for treating diseases. With Sweden's entry to the EU, the competitive consequences of those disadvantages are likely to become more apparent.

Both sides agree there are risks either way. To ban certain antibiotics prematurely would harm farmers who rely on them. But to wait for all the evidence risks that serious, untreatable diseases will migrate to humans.

Dr Khachatourians argues *that risk is simply too large* to take. "If there were such a massive infection," he says, "what the hell would we do with all the people?"

Fund to invest in African mining

By Joel Kibazo

A group of international investors has launched a fund to invest in Africa's mining sector.

The fund, to be called African Lion, will be capitalised at $30m and will invest in a range of mineral projects including coal extraction but not oil and gas. Projects will predominantly be at an advanced exploration stage.

The Commonwealth Development Corporation, the UK group that invests in emerging economies, is the single largest investor, *having committed* $8m to the project.

Other shareholders include Lion Selection group, an Australian listed company that is putting up $5m through its Australian Selection subsidiary; Comafin, a CDC investment fund for Africa; and South African banking groups Investec and Rand Merchant Bank.

The fund will be managed by Ian McAleese and Terry Ward, who have many years' experience in international mining.

John Hodder, CDC director of minerals, oil and gas said: "CDC's investment in a fund specifically targeted at mineral projects in Africa has come at an opportune time, when many companies are struggling to finance ongoing activities in the sector."

He said the fund aimed to invest throughout sub-Saharan Africa, and 70 potential projects had already been identified, with Ghana, South Africa, Tanzania and Zambia offering potentially good projects. Mali and Burkina Faso will also be considered.

James Lehy, analyst at broker T. Hoare & Co. said the timing of the fund's launch was "wonderful, the right thing at this time. The reserves are very cheap if you are looking at precious *metals and certain* base metals."

Big fall expected this year in world pepper prices

By Kunal Bose in Calcutta

World pepper prices could halve this year as India and Vietnam are expecting large crops and the International Pepper Community has forecast that the 1999 crop will be up *almost 6 per cent* to 200,000 tonnes.

India, the largest black pepper producer and exporter, is expected to harvest 75,000 to 85,000 tonnes in the 1998-99 season (November to October) against 60,000 tonnes last year. Its pepper exports *should rise at least 15,000* tonnes to 50,000 tonnes.

Vietnam is expecting a crop of 20,000 tonnes, against about 15,000 tonnes last year, and is expected to lift exports to 19,000 tonnes from 14,000 tonnes.

The extent of the fall in pepper prices will depend on *how quickly farmers want to* dispose of their crops, according to Sanjay Mariwala, chairman of the Indian Pepper and Spices Trading Association.

The world crop in 1999 would be big enough to bring down pepper prices by as much as 40 to 50 per cent from last year's record levels, a trade official said.

"A price correction is inevitable, in spite of the improved holding power of Indian farmers," the official said. "Pepper prices were up more than 100 per cent in the last two years because of the tight supply situation. *Prices have started falling* but the buyers are not interested in placing large orders at the current levels."

At the pepper exchange in the south Indian city of Kochi, the spot price is down to Rs18,150 ($427) a quintal (100 kilograms) from Rs20,000 in early January.

The bellwether March contract is Rs17,010 a quintal against Rs19,500 at the beginning of the year.

"Prices are still not in alignment with the buyers' expectations," a trade official said. "Buyers from the US and Europe, the two largest markets for pepper, are *waiting for prices to fall* further."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1167-8	1192-3
Previous	1166-67	1190.5-91.5
High/low		1200/1185
AM Official	1173-4	1197.5-8.0
Kerb close		1191-2
Open int.	296,007	
Total daily turnover	30,152	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1006-13	1033-8
Previous	1005-10	1030-35
High/low		1037/1035
AM Official	1010-15	1036-40
Kerb close		1033-8
Open int.	8,193	
Total daily turnover	1,100	

■ LEAD ($ per tonne)

Close	527-8	529.5-30.0
Previous	528-4	526.5-7
High/low		534/529
AM Official	528-9	533-4
Kerb close		529-30
Open int.	36,220	
Total daily turnover	*12,031*	

■ NICKEL ($ per tonne)

Close	4585-95	4655-60
Previous	4475-85	4550-55
High/low		4680/4600
AM Official	4570-5	4650-55
Kerb close		4670-5
Open int.	72,127	
Total daily turnover	7,196	

■ TIN ($ per tonne)

Close	5335-45	5265-70
Previous	*5240-50*	*5185-90*
High/low		5265/5130
AM Official	5345-55	5245-50
Kerb close		5230-35
Open int.	20,837	
Total daily turnover	11,357	

■ ZINC, special high grade ($ per tonne)

Close	1044.5-5.5	1058-7
Previous	1028.5-29.5	1044-45
High/low		1062/1044
AM Official	1043-4	1058.5-7.0
Kerb close		1056-6.5
Open int.	97,976	
Total daily turnover	27,315	

■ COPPER, grade A ($ per tonne)

Close	1370-1	1398-9
Previous	1383-84	1412-13
High/low		1415/1388
AM Official	*1379.5-80.0*	*1407-7.5*
Kerb close		1393-4
Open int.	167,771	
Total daily turnover	26,798	

■ LME AM Official £/$ rate: 1.6343
LME Closing £/$ rate: 1.6383

Spot: 1.6339 3 mths: 1.6324 6 mths: 1.6323 9 mths: 1.6330

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	61.55	-1.00	62.35	61.50	223	440
Mar	61.75	-1.00	63.00	61.70	7,289	32,824
Apr	62.20	-1.00	63.05	62.20	245	2,474
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	378.1	+10.7	381.0	364.5	1,402	10,458
Jul	378.1	+9.5	379.5	372.5	357	1,783
Oct	378.1	+9.5	381.0	381.0	51	1,089
Total					1,810	13,334

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	358.00	+13.90	358.40	348.00	250	2,000
Jun	351.00	+13.90	351.00	346.00	137	950
Sep	345.00	+13.90	341.00	333.00	–	131
Total					387	3,187

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	547.7	+7.2	–	–	21	19
Mar	548.0	+7.2	551.0	537.0	12,325	49,406
May	549.3	+6.8	552.5	538.0	4,217	18,614
Jul	547.8	+6.2	551.0	541.5	229	11,705
Sep	546.3	+4.9	548.0	545.0	133	4,138
Dec	542.8	+3.4	548.0	538.5	370	6,794
Total					17,289	86,685

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	11.62	-0.01	11.63	11.41	58,609	66,692
Apr	11.64	+0.01	11.74	11.53	43,187	107.2k
May	11.79	+0.01	11.88	11.68	10,374	61,124
Jun	*11.92*	–	*12.03*	*11.84*	*6,317*	*45,590*
Jul	12.10	+0.04	12.17	11.99	2,307	25,038
Aug	12.25	+0.05	12.30	12.10	2,548	19,824
Total					136,903	551,273

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	10.19	+0.08	10.25	10.06	8,351	76,158
May	10.38	+0.10	10.44	10.23	2,964	43,832
Jun	10.56	+0.09	10.62	10.45	1,428	34,975
Jul	10.74	+0.09	10.80	10.61	753	13,656
Aug	10.90	+0.08	10.92	10.87	262	5,929
Sep	11.11	+0.12	11.14	11.09	468	4,641
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	29.75	-0.09	30.05	29.50	16,292	37,102
Apr	30.40	-0.07	30.65	30.10	5,851	29,631
May	31.05	-0.07	31.30	30.75	1,646	15,071
Jun	31.65	-0.12	31.85	31.50	884	14,136
Jul	32.55	-0.07	32.70	32.40	922	12,857
Aug	33.50	-0.02	33.65	33.50	1,030	10,363
Total					28,257	164,683

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.00	-1.50	94.25	93.00	10,227	37,819
Apr	93.50	-1.50	94.50	93.25	5,263	20,182
May	94.75	-1.75	96.00	94.75	1,990	11,019
Jun	97.25	-1.25	98.25	97.25	199	10,674
Jul	99.50	-1.25	100.25	99.50	297	4,754
Aug	102.00	-1.25	103.25	102.25	256	5,520
Total					[illegible]	29,867

■ NATURAL GAS IPE (1,000 therms; pence per therm)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

[illegible]

	Close	Prev
BFI	831	825

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	*396.00*	*+1.50*	*397.00*	*394.25*	17	373
Jun	415.50	-0.75	416.00	414.00	64	288
Total					81	711

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallett & Co

Though there was no overall change in Australia's eastern market indicator, it drifted down a fraction before recovering at the end of the week. Sydney was the only major centre operating. Prices of inferior types have been irregular and weaker, while better styles have met with firm demand. The same applies in New Zealand, *though this week the decline applied* to all crossbred fleece wool and lambs offered at a North Island sale, with the market indicator 12 cents lower at 377 cents. The wool situation everywhere shows insufficient demand to match auction supplies.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LIFFE (5 tonnes; $/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	85.05	+1.70	86.00	83.90	463	1,796
Nov	85.05	+1.70	84.75	82.75	144	980
Jan	85.05	+1.45	86.25	83.50	31	499
Total					8,110	32,293

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 18	Feb 17	month ago	year ago
1426.0	1421.6	1473.1	1732.3

■ CRB Futures (Base: 1967 = 100)

Feb 17	Feb 16	month ago	year ago
184.17	184.33	–	–

■ GSCI Spot (Base: 1970 = 100)

Feb 17	Feb 16	month ago	year ago
130.29	130.00	133.58	167.85

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-25	to	810,575
Aluminium alloy	-80	to	91,120
Copper	+325	to	895,575
Lead	–	to	107,075
Nickel	-618	to	64,932
Zinc	-75	to	310,175
Tin	-5	to	7,045

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

[illegible]

JOTTER PAD

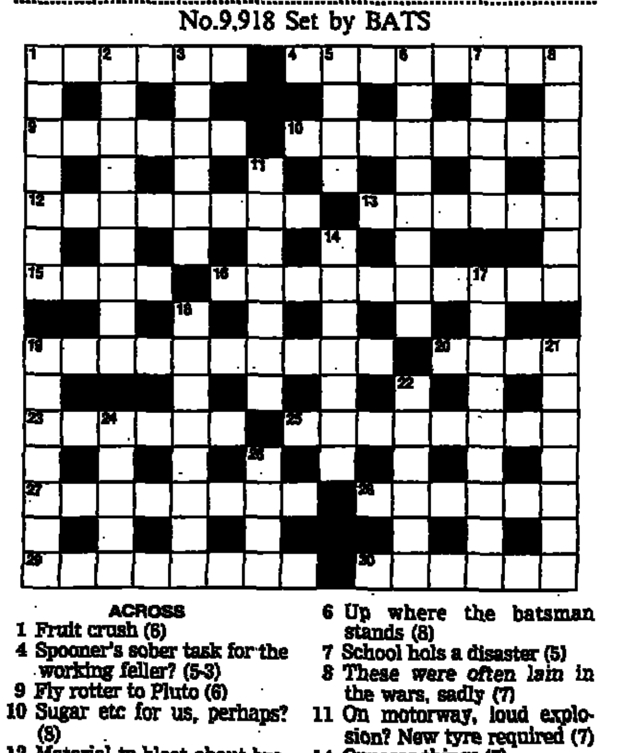
ACROSS
1 The leading benchmarks for analysts of European equities (5)

DOWN
1 How can you measure Europe by 19 market sectors? (5)

STOXX
e-mail stoxx@stoxx.com www.stoxx.com

CROSSWORD

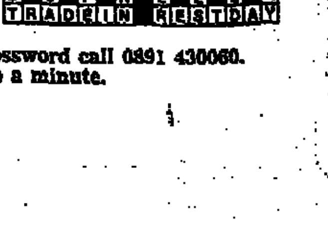
No.9,918 Set by BATS



ACROSS
1 Fruit crush (6)
4 Spooner's sober task for the working feller? (5-3)
9 Fly rotter to Pluto (6)
10 Sugar etc for us, perhaps? (8)
12 Material to bleat about broken heart (8)
13 Shot French woman during exercise (6)
15 Draws from relations (4)
16 Policeman hits American teenage girls once pulled up? (10)
19 Italian flower loosens belt for German song (has a beer gut) (10)
20 The measure of Gregory? (4)
23 Solver misconstrued Romeo and Juliet (6)
25 Change course during change of rate: forward (8)
27 *Wallops codswallop* when left in different place (8)
28 Empty vessels, one inside the other (6)
29 With me, ain't no joke to propose (8)
30 Humble Bats in forest (6)

DOWN
1 Fire merely blown once (7)
2 A French flower must be experienced (9)
3 Religion thus accepts some advice (6)
5 Her love was for Leander (4)
6 Up where the batsman stands (8)
7 School hols a disaster (5)
8 These were *often lain* in the wars, sadly (7)
11 On motorway, loud explosion? New tyre required (7)
14 Opposes things (7)
17 King's demise heralds Tartan ally? (9)
18 Burn duck and discard the American gurnard (3,5)
19 Bird which must be safely crossed (7)
21 Makes nails and locks a tinker out (7)
22 Grand residence for one occupying position (6)
24 Volume and manoeuvrability needed for powerful engine sound (5)
26 Red, so proceed steadily (4)

Solution 9,917



For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

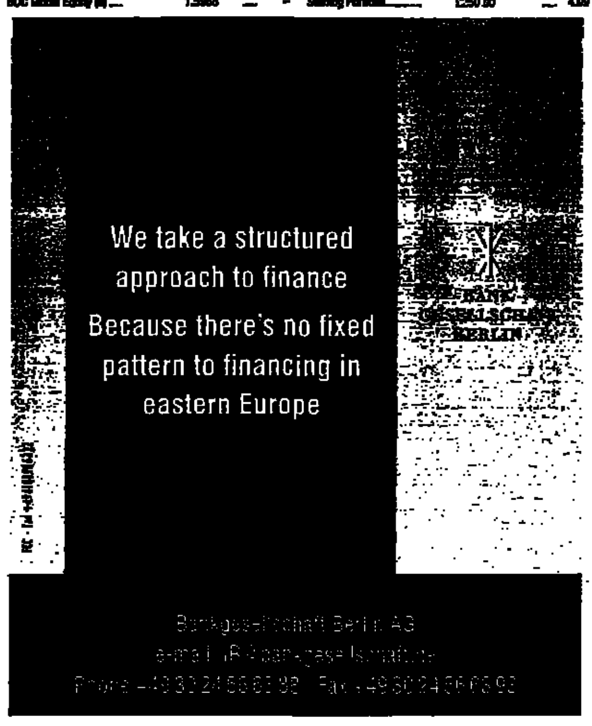
BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)



IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Fund to invest in African mining

JOTTER PAD

STOXX

CROSSWORD

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Barclays International Funds

Minerals, Oils Res. Shrs. Fd. Inc.

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Banque Colbert S.A.

Hiptan Global SICAV (a)

Fidelity Funds (a)

Lloyds Bank Luxembourg

Schroder International Selection Fd (a)

SBP - Contd.

HYPO Capital Mgmt Invest Luxembourg SA

SCUTECH SA

Scudder Global Opportunities Funds

LUXEMBOURG

(FSA RECOGNISED)

JERSEY

(REGULATED)(**)

LUXEMBOURG

(REGULATED)(**)

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or −	52 week high	low	Volume '000s	Yld Gr's	P/E
Allied Domecq	♣	465xd	-2	646	329	2,134	5.4	12.2
Bulmer (HP)		282½	——	412½	279½	60	6.6	12.6
Burn Stewart		14	——	30½	7	0.500	-	-
Diageo	♣♥	683	+12	795	476	7,880	3.0	29.1
Glenmorangie A	†	712½	——	900	625	-	2.5	19.2
B	†	827½	——	968	810	-	1.1	44.9
Highland		245	-6½	325	225	43	4.2	11.2
5¾pc Cv Sb Bd		98¼	——	100½	90½	-	5.9	-
Kirin Y		688¼xd	-12½	874¼	477½	-	0.9	54.5
Merrydown		27	——	54½	18½	48	-	ф
Seagram C$		£29⅛	-1⅛	£30⅞	£14⅞	-	0.9	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Continued

[illegible]

SUPPORT SERVICES - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM

Alternative Investment Market

[illegible]

AIM - Continued

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.

Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0891 43 0805

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Footsie resilient in face of Wall Street worries

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

London's equity market finished fractionally lower after a day of erratic moves, with dealers wary of the potential for more substantial weakness on Wall Street.

But most traders insisted that London remained well underpinned in what they described as a delicately poised market.

At the close, the FTSE 100 index was 3.5 down at 3,074.9. That minor retreat masked a pretty volatile day.

The early action in London was confused by talk of some uncommercial prices entered into the system and involving a number of FTSE 100 stocks, notably Barclays, which were said to have distorted London's benchmark index at the opening.

At its best, Footsie was 44.9 higher at 6,123.3, a move reflecting initial excitement with the latest batch of company results from leading UK stocks, most notably Halifax, the building society-turned bank, which continued the sequence of well-received figures from the banks sector.

The banks have been in the forefront of the market's advance over the past week or so, with the better feeling in the sector triggered by excellent numbers from Lloyds TSB, followed quickly by Barclays and Woolwich.

The latter's special dividend payment was emulated yesterday by Halifax, which said it intended to return £1.5bn to shareholders.

Initial enthusiasm quickly evaporated, however, and the index fell away. Footsie posted a 71.3 decline and threatened to slip back through the 6,000 level, before it stabilised and embarked on a quiet but determined rally.

The resilience so evident in the leaders did not follow through to the second-liners and small-cap stocks, which looked to have run out of steam after their recent good performances.

The FTSE 250 index settled 20.6 off at 5,153.9, not far short of its session low of 5,150.7, while the FTSE SmallCap was finally 4.1 off at 2,246.4, compared with the day's low of 2,244.8.

The Halifax was not the only company to continue the bullish mood about the results season.

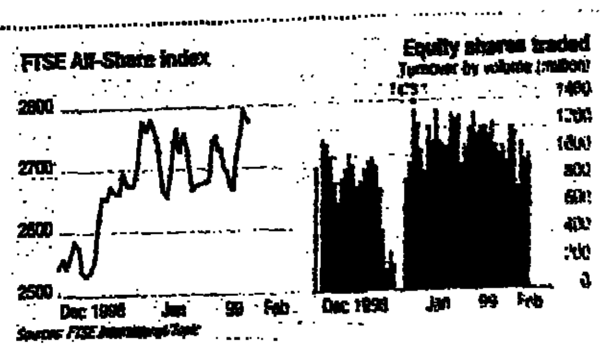
Glaxo Wellcome's full-year numbers were well received, helping the shares make rapid progress in mid-session, while Rank Group reassured the market by holding the dividend – which had been widely viewed as under threat.

The day's economic news showed UK retail sales in January up 1.1 per cent on the month, slightly ahead of the consensus estimate of 1 per cent, and added to the mood of nervousness in the stock market.

Adam Cole of HSBC Economics said: "Retail sales were only a little stronger than expected in January but revisions to earlier months' figures left the underlying picture looking considerably stronger. All-in-all, the data probably add further weight to the view that rates will remain on hold at the March monetary policy committee meeting.".

Marketmakers noted that turnover in London had begun to tail off in the past few sessions. At 6pm yesterday it reached 998.2m shares, with FTSE 100 stocks accounting for 54 per cent of the overall figure.

FTSE All-Share Index / Equity shares traded



Source: FTSE International/Topic

Indices and ratios

FTSE 100	6074.9	-3.5	FT 30	[illegible]	[illegible]
FTSE 250	5153.9	-20.6	FTSE Non Fin p/e	[illegible]	[illegible]
FTSE 350	2875.4	-3.1	FTSE 100 Fut Mar	[illegible]	[illegible]
FTSE All-Share	2773.17	-3.12	10 yr Gilt yield	[illegible]	[illegible]
FTSE All-Share yield	2.77	2.78	Long gilt/equity yld ratio	[illegible]	[illegible]

Best performing sectors

1 Gas Distribution +1.86
2 Extractive Industries +1.58
3 Alcoholic Beverages +1.54
4 Transport +1.10
5 Leisure & Hotels +1.03

Worst performing sectors

1 Household Goods & Textiles [illegible]
2 Oil Integrated [illegible]
3 Building Matls & Merchants [illegible]
4 Tobacco [illegible]
5 Electronic & Elect Equip [illegible]

Saudi reports hit BAe

COMPANIES REPORT

By Joel Kibazo, Peter John and Simon Bernholt

A British Aerospace denial of a news agency report suggesting its long-running Al Yamamah arms-for-oil project with Saudi Arabia had been frozen did little to calm nerves about the company's future profitability and the stock duly tumbled. The contract is worth around £2bn in sales for BAe.

Worries about the cancellation of the contract followed recent news that Saudi Arabia was postponing its planned artillery acquisition programme from South Africa because of financial problems.

But late yesterday British Aerospace denied the report and said the Saudi contract "is ongoing and continuing. The report that Al Yamamah is frozen is completely wrong. Al Yamamah continues in the normal way." The UK ministry of defence also denied the story.

The market remained sceptical and the shares fell 18 or 4.2 per cent to 412p, the worst performance in the FTSE 100, with heavy trading prompting turnover of 18m.

Rumours about the contract also raised fears about BAe's recent £7.8bn deal to acquire Marconi Electronics from defence electronics giant GEC. The deal was to be partly funded through GEC shareholders acquiring BAe stock.

"The denial the market is looking for is the one from Saudi Arabia, which has not been forthcoming," said one sector specialist.

"This is why the company paid so much for Marconi. Maybe it was trying to dilute the exposure and contribution from Saudi Arabia," he said.

One trader said simply: "If I were GEC, I would simply walk away from the deal with BAe." GEC shares closed 11½ off at 515½p.

Selected power stocks dropped in nervous anticipation of a regulatory admonition. Generators have already been warned that their pooled prices were not reflecting the true economic cost of electricity.

And while they have made efforts to put their own house in order, Offer, the regulator, will crystallise that warning in a statement next week. The statement will contain the threat of "licence modifications".

When the changes are made it is possible that some companies, such as British Energy, could find themselves caught in a supply squeeze. Shares in the company fell 10½ to 635p while rival PowerGen dropped 31 to 802p.

Centrica jumped 8¼ to 121¾p on heavy turnover of 17m in the wake of encouraging data from the UK's biggest gas supplier.

The company said it had gained about 4 per cent of the electricity market in the five months since the launch of supply competition for households.

Centrica's British Gas arm is offering "dual fuel" service to existing gas customers in areas where electricity competition is in place, and guaranteeing cheaper electricity prices than the local supplier until 2001.

Glaxo Wellcome shot forward in early trading when it announced figures that showed the company was weathering the patent expiry of Zantac – once the world's biggest selling drug.

The pharmaceuticals giant reported a profit fall of only 1 per cent, even though its Zantac product, which once represented about half the company's sales, now accounts for less than 10 per cent.

Analysts were enthusiastic about Glaxo's management of the expiry of Zantac and also of Zovirax, the herpes treatment.

But some raised doubts about the strength of the products in development. The two-way view saw the stock up 87 in early trading and then slide back slowly throughout the day to close only 21 higher at £20.14.

Zeneca rose in response to shareholder approval of the company's proposed merger with Astra of Sweden.

Halifax cashback

Mortgage bank Halifax rose sharply after it reported a rise in profits of 7 per cent, exceeding analysts' expectations.

The bank also proposed to return £1.5bn to shareholders in a corporate restructuring scheme. And Halifax is to make an extra 62p cash payment under the proposal. Finally, it said that mortgage lending increased to £14.19bn from £12.02bn.

While the results were broadly in line, analysts were unsure why Halifax wanted to restructure. As a result the shares failed to reflect the full benefit of the cash payment and ended the day only 19¾ up at 791p.

News that Aegon of the Netherlands is to buy Transamerica for cash and stock worth $9.7bn reminded the market that sector consolidation was still very much on the agenda. Sun Life & Provincial was lifted 19¼ to 517p and Prudential 20½ to 917½p.

There was no disguising the relief felt by investors as Rank Group posted figures in line with expectations and maintained its dividend payout despite falling profits.

The shares raced sharply ahead closing 22½ up at 226½p, the best performer in the FTSE 250.

A long-term bull of the stock, Richard Harwood at Gilbert Elliot, said: "It pays to go against the grain. The group has confounded the sceptics and it is now in recovery mode."

News late in the day that William Hill, the bookmaker owned by Nomura International subsidiary Nomura Principal Finance, has trimmed back its offer price to 135p from earlier expectations ranging between 155p and 175p, cast a shadow over several gaming stocks.

Shares in Ladbroke eased 4¼ to 258½p while those of Stanley Leisure declined 7 to 289p.

Brent International lifted 1¾ to 112p with dealers talking about an overseas bid hitting today.

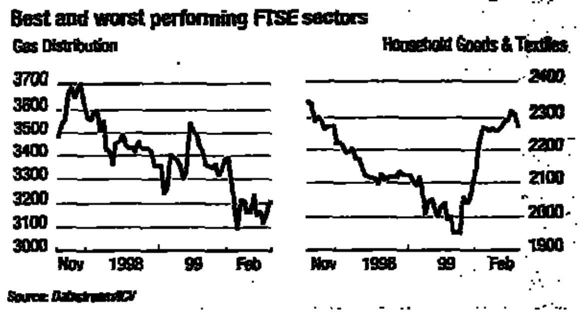
Paper and packaging stocks were active with Rexam up 4 to 190½p and David S Smith up 2½ to 107p, on turnovers of 9.3m shares apiece. One dealer reported heavy institutional buying, while another said there were rumours of consolidation in the sector.

St Modwen, the property company, was up 4¼ to 73½p after Warburg Dillon Read issued a "buy" note and an 80p price target.

Pace Micro Technology rose 22½ to 141½p after announcing a digital set-top box contract with Bell South of the US.

Danka Business Systems fell 15¼ to 72½p to reflect a third quarter net loss of £321m.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Feb 18	Feb 17	Feb 16	Feb 15	Feb 12	Yr ago	*High	*Low
FT 30	3698.8	3700.5	3697.7	3649.7	3629.3	3492.5	4004.9	2790.6
Ord. div. yield	2.80	2.81	2.81	2.85	2.97	3.07	4.22	2.72
P/E ratio net	23.92	23.88	23.90	23.55	22.61	23.07	25.41	15.80
P/E ratio nil	23.82	23.79	23.80	23.46	22.52	N/A	25.19	15.71

FT 30 since compilation: High 4004.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3700.5	3688.3	3694.6	3703.1	3699.2	3701.9	3692.7	3694.6	3729.7	3671.0

 *For 1998/99.

STOCK MARKET TRADING DATA

	Feb 18	Feb 17	Feb 16	Feb 15	Feb 12	Yr ago
SEAQ bargains	79,463	83,665	92,194	77,852	95,003	n/a
Equity turnover (£m)†	-	4266.0	4564.1	3314.0	4645.4	n/a
Equity bargains†	-	70,160	79,878	68,107	77,852	n/a
Shares traded (m)†	-	1023.7	1025.5	805.8	1070.2	n/a
Total market bargains‡	-	-	n/a	77,425	91,035	-
Total turnover (£m)‡	-	-	n/a	4094.1	5730.7	-
Total shrs traded (m)‡	990.9*	985.5	n/a	962.9	1299.2	-
Tradepoint turnover (£m)	27.7	32.0	36.5	26.4	25.8	28.6
Tradepoint shrs traded(m)	10.7	10.7	15.1	9.9	12.3	9.0

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	602	Total Highs	31	Total contracts	47,015
Total Falls	781	Total Lows	39	Calls	23,180
Same	1,477			Puts	23,835

Feb 18 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	6064.0	6050.0	-10.0	6104.0	6000.0	[illegible]	[illegible]
Jun	6100.0	6086.0	-11.0	6120.0	[illegible]	[illegible]	[illegible]
Sep	6090.0	6139.5	-11.5	6130.0	[illegible]	[illegible]	[illegible]

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5166.0	5154.0	-29.0	5166.0	5166.0	[illegible]	[illegible]
Jun		5165.0	-25.0			[illegible]	[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) (*6075) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FTSE GOLD MINES INDEX

[illegible]

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

[illegible]

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

TRADING VOLUME

■ Major Stocks yesterday.

[illegible]

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Feb 18)

BELGIUM/LUX (Feb 18)

FINLAND (Feb 18)

FRANCE (Feb 18)

GERMANY (Feb 18)

IRELAND (Feb 18)

ITALY (Feb 18)

NETHERLANDS (Feb 18)

PORTUGAL (Feb 18)

SPAIN (Feb 18)

EUROPE (NON-EMU)

CZECH REP (Feb 18 / Koruna)

DENMARK (Feb 18 / Kr)

GREECE (Feb 18 / Drachma)

NORWAY (Feb 18 / Kroner)

POLAND (Feb 18 / Zloty)

SWEDEN (Feb 18 / Kronor)

SWITZERLAND (Feb 18 / Frs.)

TURKEY (Feb 18 / Tk Lira)

PACIFIC

JAPAN (Feb 18 / Yen)

HONG KONG (Feb 15 / H.K.$)

INDONESIA (Feb 18 / Rupiah)

MALAYSIA (Feb 18 / MYR)

NEW ZEALAND (Feb 18 / NZ $)

SINGAPORE (Feb 18 / S$)

AUSTRALIA (Feb 18 / Aust$)

SOUTH KOREA (Feb 18 / Won)

TAIWAN (Feb 18 / TW $)

THAILAND (Feb 18 / Baht)

AMERICAS

CANADA

TORONTO (Feb 18 / Can $) 3:30 pm

MONTREAL (Feb 18 / Can $) 3:30 pm

MEXICO (Feb 18 / Peso) 12:30 pm

AFRICA

SOUTH AFRICA (Feb 18 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY FEBRUARY 17 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY FEBRUARY 16 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	208.21	0.3	189.61	157.23	214.46	219.30	0.8	3.36	208.67	189.40	155.88	214.94	217.64	219.96	183.86	208.71
Austria (21)	180.80	0.2	163.86	135.86	163.54	163.54	-0.3	2.03	180.49	163.82	134.83	164.05	164.05	253.73	165.27	196.57
Belgium (22)	395.92	-0.3	358.82	297.55	350.62	350.62	-0.8	1.92	397.26	360.56	296.75	353.50	353.50	446.95	277.07	277.07
Brazil (29)	106.37	-1.1	98.41	79.94	109.04	375.93	-0.1	6.18	107.59	97.66	80.37	110.83	376.29	269.34	89.32	234.86
Canada (113)	200.95	-0.7	182.12	151.02	205.98	217.97	-0.8	1.82	202.44	183.74	151.22	208.52	219.75	248.78	159.94	220.46
Denmark (34)	458.74	1.2	418.94	343.26	468.19	411.23	0.7	1.72	451.25	409.57	337.08	464.80	408.25	537.33	420.12	458.51
Finland (29)	587.45	-2.7	532.41	441.50	652.54	682.54	-3.1	1.74	603.51	547.77	450.82	673.61	673.61	661.25	334.38	334.38
France (74)	315.00	-0.8	285.48	236.74	288.53	288.53	-1.3	2.13	317.59	288.25	237.24	292.31	292.31	354.45	252.02	253.49
Germany (55)	257.50	-1.3	233.37	193.52	233.06	233.06	-1.8	1.42	260.82	236.73	194.84	237.23	237.23	325.61	228.35	245.31
Greece (36)	423.65	0.5	383.87	318.33	434.18	869.01	-0.1	0.98	421.52	382.59	314.88	434.18	870.23	429.65	211.47	–
Hong Kong, China (65)	277.72	0.0	251.70	208.72	284.69	276.25	0.0	4.42	277.70	252.05	207.44	286.04	276.25	382.55	196.64	327.73
Indonesia (24)	48.77	0.3	44.20	36.66	50.00	260.32	0.0	1.18	48.61	44.12	36.31	50.07	260.20	64.52	19.04	45.91
Ireland (14)	544.84	-1.0	493.79	409.47	538.23	538.23	-1.5	1.78	550.40	499.56	411.15	546.35	546.35	605.85	396.15	447.34
Italy (53)	162.66	-0.1	147.42	122.25	209.39	209.39	-0.6	1.52	162.90	147.86	121.69	210.72	210.72	192.64	128.88	135.68
Japan (445)	96.26	-1.0	87.24	72.35	98.68	72.35	-0.4	1.03	97.27	88.29	72.66	100.19	72.66	107.62	76.83	104.58
Mexico (29)	1185.33	-1.9	1074.27	890.83	1215.05	12862.57	-1.9	1.99	1208.43	1096.82	902.70	1244.72	13116.59	1733.73	787.15	1517.31
Netherlands (26)	477.78	-1.3	433.01	359.08	427.79	427.79	-1.8	2.22	484.22	439.59	361.71	435.65	435.65	562.73	394.92	432.36
New Zealand (16)	64.85	1.7	58.77	48.73	66.47	64.04	1.8	4.48	63.78	57.89	47.64	65.69	62.92	77.84	45.68	76.27
Norway (37)	225.37	-2.7	204.25	169.38	231.02	236.79	-2.4	2.53	231.53	210.14	172.95	238.48	242.65	357.71	181.86	301.66
Philippines (22)	84.14	-0.8	76.26	63.24	86.25	162.97	-0.4	1.00	84.83	77.00	63.37	87.38	162.77	108.98	42.48	86.11
Portugal (18)	251.96	-0.5	228.35	189.36	307.78	307.78	-1.0	1.07	253.21	229.82	189.15	310.80	310.80	298.39	194.13	–
Singapore (40)	197.85	0.0	179.31	148.70	202.81	154.77	0.0	1.80	197.85	179.58	147.80	203.79	154.77	246.74	102.45	204.57
South Africa (35)	188.98	-0.4	171.25	142.01	193.70	254.10	-0.3	3.49	189.76	172.24	141.75	195.46	254.88	346.20	151.55	278.19
Spain (30)	382.05	0.5	346.25	287.13	428.70	428.70	0.0	1.88	380.26	345.14	284.05	428.75	428.75	436.19	290.81	306.21
Sweden (43)	520.51	-1.2	471.74	391.19	533.58	611.05	-1.3	1.94	526.79	478.13	393.51	542.61	618.82	628.19	379.18	502.19
Switzerland (30)	396.32	0.9	359.19	297.86	406.26	349.54	0.4	1.22	392.79	356.51	293.41	404.59	348.25	441.65	307.73	376.69
Thailand (31)	21.32	-5.0	19.33	16.03	21.88	30.60	-4.9	2.95	22.46	20.38	16.77	23.13	32.18	33.84	8.15	28.68
United Kingdom (201)	385.87	-0.4	349.71	290.00	395.55	349.71	-0.8	2.79	387.44	351.65	289.41	399.07	351.65	401.84	307.96	382.85
USA (613)	504.53	-1.4	457.26	379.18	517.19	504.53	-1.4	1.30	511.89	464.61	382.38	527.26	511.89	527.72	390.12	417.79
Americas (784)	447.64	-1.4	405.70	336.42	458.87	379.99	-1.4	1.34	454.06	412.12	339.18	467.70	385.43	467.90	347.59	378.32
Europe (723)	350.13	-0.5	317.32	263.14	358.91	326.28	-0.9	2.08	351.98	319.45	262.92	362.53	329.15	386.24	282.63	314.28
Eurobloc (342)	99.03	-0.8	89.75	74.42	97.02	97.02	-1.3	1.81	99.88	90.65	74.61	98.32	98.32	113.92	81.53	–
Nordic (143)	492.41	-1.3	446.27	370.07	504.76	500.92	-1.5	1.89	498.95	452.86	372.71	513.93	508.69	555.97	360.04	440.48
Pacific Basin (721)	103.95	-0.8	94.21	78.13	106.56	80.54	-0.3	1.57	104.79	95.11	78.28	107.94	80.76	117.89	82.88	113.44
Euro-Pacific (1444)	206.31	-0.6	186.98	155.05	211.48	172.84	-0.7	1.94	207.55	188.38	155.04	213.79	174.08	221.79	166.00	197.21
North America (726)	483.97	-1.4	438.62	363.73	496.11	484.74	-1.4	1.32	490.91	445.58	366.71	505.65	491.70	506.43	374.92	405.16
Europe Ex. UK (522)	321.23	-0.6	291.13	241.42	329.29	305.28	-1.0	1.72	323.11	293.27	241.36	332.81	308.49	386.32	260.93	281.31
Europe Ex. Eurobloc (381)	97.80	-0.2	88.63	73.50	100.25	98.27	-0.4	2.36	97.98	88.93	73.19	100.92	98.58	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	96.70	0.3	87.64	72.67	99.12	94.56	-0.1	1.45	96.41	87.51	72.02	99.31	94.65	109.21	75.16	–
Pacific Ex. Japan (276)	177.71	0.1	161.06	133.56	182.17	181.15	0.4	3.61	177.50	161.11	132.59	182.83	180.50	216.04	128.26	197.36
World Ex. Eurobloc (1921)	103.97	-1.1	94.23	78.14	106.58	103.07	-1.1	1.57	105.12	95.41	78.53	108.28	104.17	108.05	83.09	–
World Ex. US (1650)	205.60	-0.6	186.34	154.52	210.76	177.66	-0.7	1.97	206.88	187.77	154.54	213.09	178.53	221.91	165.95	200.36
World Ex. UK (2062)	293.94	-1.1	266.40	220.91	301.81	284.53	-1.2	1.47	297.31	269.85	222.09	306.24	267.64	311.48	236.11	261.65
World Ex. Japan (1818)	404.04	-1.1	366.18	303.66	414.17	396.57	-1.2	1.67	408.36	370.65	305.05	420.63	401.27	427.99	320.58	353.16
The World Index (2263)	301.84	-1.1	273.56	226.85	309.41	272.29	-1.1	1.81	305.06	276.89	227.88	314.23	275.32	318.51	242.38	270.20

Emerging markets: IFC investable indices

Dollar terms

Feb 17 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	741.55	-1.6	-7.0
Brazil	221.51	-1.0	-19.5
Chile	484.95	-0.1	+3.0
Colombia[1]	374.46	+0.3	-14.8
Mexico	499.98	-1.9	+3.8
Peru[2]	136.28	+0.9	+1.4
Venezuela[3]	360.77	-3.4	-20.4
East Asia			
China[4]	22.88		-12.6
India[7]	70.52	+0.4	+9.8
Indonesia[8]	22.53		-6.9
Korea[9]	51.78		-2.3
Malaysia	88.91		+0.4
Pakistan[8]	86.45	-0.0	-8.6
Philippines	115.75	-0.7	-6.0
Sri Lanka[10]	73.24	-0.8	-11.1
Taiwan, China[4]	107.90	-0.1	-6.8
Thailand[4]	58.59	-3.7	-7.3
Europe			
Czech Rep	43.62	-0.5	-14.0
Greece	758.80	+1.3	+22.5
Hungary[11]	275.15	-3.6	-1.9
Poland[12]	527.14	-0.5	+0.7
Portugal	265.31	-0.4	-2.3
Russia	28.30	-0.2	+20.7
Slovakia	43.14	-3.2	-1.1
Turkey[13]	193.34	+9.5	+32.1
Mideast/Africa			
Egypt	76.35	-0.4	+16.4
Israel	102.78	-1.1	+0.5
Jordan	233.82	-1.0	+6.0
Morocco	172.08	+0.6	+2.7
S Africa[14]	131.05	-0.4	+4.7
Zimbabwe[15]	105.11	+0.6	-0.2
Regions			
Composite	186.65	-0.2	-0.1
Latin America	393.68	-1.2	-6.2
Asia	102.29	-0.3	-4.4
EMEA	124.26	+0.7	+8.7
Europe	168.21	+1.5	+12.3
Eastn Europe	59.19	-1.7	+1.7
ME & Africa	56.06	-0.4	+4.0
Comp + Malay	189.46	-0.2	-0.0
Asia + Malay	104.37	-0.2	-3.4

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition

NEW YORK STOCK EXCHANGE PRICES

3:30 pm February 18

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

♣ **FT Free Annual Reports Club**
You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-32 0-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http:// www.icbinc.com/cgi-bin/ft.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Feb 17	Feb 16	Feb 15	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9195.47	9297.03	(c)	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	105.34	105.38†	(c)	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3152.16	3120.76	(c)	[illegible] (16/4/98)	2345.00 (8/10/98)	[illegible] (16/4/98)	13.23 (8/7/32)
Utilities	281.41	288.21	(c)	320.51 (8/10/98)	262.88 (8/1/98)	320.51 (8/10/98)	10.53 (8/7/32)

DJ Ind. Day's high 9400.53(9459.40) Low 9124.05 (9187.10) (Theoretical) Day's high 9308.64(9387.08) Low 9179.21 (9234.73) (Actual)

Standard and Poors	Feb 17	Feb 16	Feb 15	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1224.03	1241.87†	(c)	1279.64 (29/1/99)	927.69 (8/1/98)	1279.64 (29/1/99)	4.40 (1/6/32)
Industrials	1475.80	1502.20†	(c)	1551.65 (29/1/99)	1077.40 (8/1/98)	1551.65 (29/1/99)	3.52 (30/6/32)
Financial	130.11	130.51	(c)	147.80 (14/7/98)	95.80 (8/10/98)	147.80 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	580.35	588.75	(c)	611.08 (8/1/99)	477.20 (8/10/98)	611.08 (8/1/99)	4.64 (25/4/42)
Amex Comp	688.65	695.84	(c)	753.87 (22/4/98)	563.75 (8/10/98)	753.87 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	2248.91	2313.87†	(c)	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	389.54	396.40	(c)	491.41	310.28	491.41	123.96

US DATA

MARKET ACTIVITY

NYSE TRADING ACTIVITY

ACTIVE STOCKS — BIGGEST MOVERS

NASDAQ TRADING ACTIVITY

ACTIVE STOCKS — BIGGEST MOVERS

RATIOS

	Feb 12	Feb 5	Jan 29	Year ago
Dow Jones Ind. Div. Yield	1.65	1.65	1.64	1.86
	Feb 10	Feb 3	Jan 27	Year ago
S & P Ind. Div. yield	1.16	1.10	1.12	1.42
S & P Ind. P/E ratio	36.00	36.56	36.57	27.81

JAPAN

	Feb 18	Feb 17	Feb 16	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	14146.79	14158.57	14232.64	17264.3	12880	38915.9	85.25

Day's high: 14158.57. Day's low: 14041.55.

TOKYO TRADING ACTIVITY — Volume : 348,049,000

ACTIVE STOCKS — BIGGEST MOVERS

FRANCE

	Feb 18	Feb 17	Feb 16	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4039.41	3985.49	4052.32	4388.48	2882.54	4388.48	984.81

Day's high: 4039.41. Day's low: 3958.49.

PARIS TRADING ACTIVITY — Volume : 824,599,310

ACTIVE STOCKS — BIGGEST MOVERS

GERMANY

FRANKFURT TRADING ACTIVITY

ACTIVE STOCKS — BIGGEST MOVERS

UK

LONDON TRADING ACTIVITY

ACTIVE STOCKS — BIGGEST MOVERS

INDEX FUTURES

S&P 500 — Nikkei 225 — CAC-40 — DAX — CAC — FTSE

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ-AMEX MARKET GROUP

3:30 pm February 18

[illegible]

AMEX

3:15 pm February 18

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

ECB rates on hold as strike threat ends

WORLD OVERVIEW

European events were the dominant theme for international equity markets yesterday, *writes Jeffrey Brown.*

The threat of damaging German strikes melted away, the European Central Bank held what many observers saw as a crucial meeting and Dutch insurance giant Aegon flexed its acquisition muscles with a $9.7bn US takeover.

Frankfurt pushed higher on what was seen as a relatively benign end to the IG Metall pay dispute, which had been growing progressively more explosive and threatened to injure large sections of German industry.

The 3.2 per cent basic settlement is several times German inflation, but inside the 3.5 per cent level that analysts had pencilled in as their doomsday number.

Although it will add to the strains of a slowing German economy and shrinking corporate earnings, the settlement appeared to take some of the steam out of the case for hardline monetarism at the European Central Bank, which duly left interest rates unchanged yesterday.

At the close, both Frankfurt and Paris added more than 1 per cent on a mixed day generally for markets, though individual share movements stole most of the limelight.

Aegon, which is lifting its asset base by a third, added 5.6 per cent while French food retailer Carrefour surged 11.7 per cent on bumper results and a share split that reduces the stock down from an unwieldy €600 to around €60.

Greek shares partly recovered from early political scares after the government dismissed speculation of an election in the wake of the scandal over Kurdish rebel leader Addullah Ocalan. Athens, the fastest growing emerging market this year with a dollar gain of 15 per cent, ended off 2.1 per cent having been down 6 per cent at the opening bell.

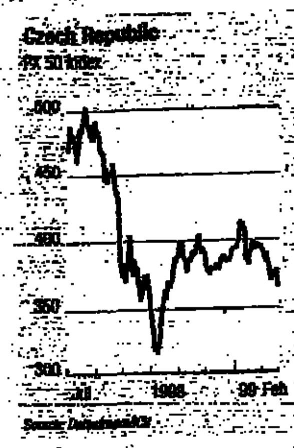
Across the Aegean sea in Turkey, the mood remained upbeat with the stock-market extending its rally to 18 per cent in three days, although there were signs of profit-taking. Some investors felt the arrest of Ocalan could prove a further stain on the human rights record barring Turkey's entry to the European Union.

Speaking at a Reuters emerging market investment conference yesterday, Mark Mobius of Templeton Investment Management said some markets, such as Thailand, were more than 90 per cent down from their all-time highs and that bear markets did not last forever.

Valuations had become much more attractive and he believed the rewards would be highest where sentiment was worst – Russia and Indonesia.

EMERGING MARKET FOCUS

Prague tests investors' faith



Emerging market fund managers have lost patience with the Czech government and are cutting their holdings of the country's stocks.

The Social Democrat-led government has failed to convince investors it has a strategy to pull the economy out of a recession that cut gross domestic product by about 2.5 per cent last year.

John Lomax at HSBC says the group has recently moved underweight for the Czech Republic. He says he is waiting to hear how the big banks will be recapitalised ahead of privatisation and for indications on when the central bank will cut interest rates further.

CSFB has also cut its weighting. "We see the economy only getting going when they embark on structural reform," says David Aserkoff. "We're asking the same questions we were asking when the government came in in July."

Low prices are not acting as a draw because investors see no sign of real economic improvement until the banks are privatised next year.

A 15 per cent fall in the koruna this year has also failed to spur activity because investors feel it will fall further. Moreover, the sharp decline appears to have scared the central bank away from making further interest rate cuts and as most blue chips are not exporters they will be worse off from the impact on their foreign currency loans.

SPT Telecom and its future rival Ceske Radiokomunikace are the only stocks held by many funds, partly because their results had remained immune from the recession. Their shares rose 28 per cent last year while the PX-50 index fell 20 per cent.

However, Ceske Radiokomunikace is now widely seen as overpriced, while SPT – which makes up 39 per cent of the index – has, like other state-dominated stocks, been damaged by the new government's attempt to change its board.

"The risk is that the state uses its majority shareholding to do what is good for the state but what is not necessarily good for shareholders," says Mr Aserkoff.

The other top blue chips, Komercni banka and Sporitelna, collapsed in value last year after the dreadful condition of their loan portfolios was exposed. Investors are waiting for the extent of the di... shares from recapit... before they return.

Ironically, the fall... ment comes just as... ket is getting good... tackling the abuses... of transparency th... a bad name.

A real-time ma... trading system fo... leading shares, in May, has attra... than 80 per cent... ing in those stocks.

But with average trading volume rea... only Kc418m ($12.4m) so... this year, the future role of the stock exchange is being questioned. Four of the blue chips are already listed as global depository receipts in London and the exchange appears resigned to joining other regional bourses as an exchange for smaller stocks.

Robert Anderson

Transamerica purchase leads blue chips up

AMERICAS

Wall Street moved ahead in early trading with blue-chip shares lifted by enthusiasm for the takeover of Transamerica, *writes John Labate in New York.*

An early rise in high-tech shares fizzled by midday, but the Dow Jones Industrial Average stayed positive, adding 44.78 at 9,240.25. The Standard & Poor's 500 index had gained 5.61 to 1,229.64.

Investors continued to look for direction in the computer sector, after a series of volatile days led by concerns surrounding Dell Computer.

The midday Nasdaq composite index was down 1.68 to 2,247.23. Shares of Dell Computer were $1 1/16 stronger at $82¼, but other high-tech leaders, such as Microsoft, which fell $4½ to $145½, kept investors cautious.

Transamerica shares soared after Dutch insurance giant Aegon agreed a $9.7bn takeover bid. Transamerica shares were $15¼ or 26 per cent higher to $72¾. ADRs of Aegon rose 4 per cent or $4 to $98¾. Other US insurers were mixed, with Hartford Insurance up $¼ at $50 11/16.

Banking shares were mostly higher, with First Union up $1 to $52¼. But Chase Manhattan was down $ 1/16 to $77 after Prudential Securities cut its rating from "strong buy" to "accumulate".

Among Dow shares, General Motors climbed $2¾ to $85 1/16 and pharmaceutical company Merck gained $1 1/16 to $77 13/16. Shares of Sears Roebuck were up $¼ to $39¾ one day after the retailer said it would revamp its marketing programme.

Dow fallers included Goodyear Tire and Rubber, down $¾ to $48¼, and Walt Disney, off $⅝ at $34⅛.

Internet stocks were mixed. Broadcast.com, the webcasting company, surged 17 per cent to $68¼ after Donaldson, Lufkin & Jenrette raised its rating to "buy".

US Treasuries eased after the release of a stronger producer price index for January. By early afternoon, the benchmark 30-year bond was down 15/32 to 98 25/32, sending the yield higher to 5.336 per cent.

TORONTO rallied in early trading, partly reversing the 120-point decline of the past two days on positive inflation news and strong results from Toronto-Dominion Bank.

Royal Bank of Canada gained 90 cents to C$77.10 while Toronto-Dominion, which turned in first-quarter earnings comfortably ahead of brokers forecasts, added 55 cents at C$65.80.

At the noon count, the 300 composite index was up 25.83 at 6,350.50.

Among industrials, Bombardier and Newbridge Networks rose on upbeat contract news. The former added 50 cents at C$22.15 and Newbridge gained 55 cents to C$36.30.

Northern Telecom jumped C$2.65 to C$89 on a solid morning for techs generally. ATI Technologies improved C$1.50 to C$21.50.

Funeral homes and cemetery group Loewen fell a further 20 cents to C$2.84 after tumbling by 30 per cent on Wednesday in the wake of a credit downgrade.

In golds, Barrick came off C$1.20 at C$26.80 on news of the C$525m takeover of Sutton Resources, which rose C$5.10 to C$12.10 on the deal.

Pay deal settles Dax nerves

EUROPE

Lifted by the end to the IG Metall union pay dispute. **FRANKFURT** regained half of Wednesday's losses with the Xetra Dax index improving 50.67 at 4,871.09.

Man jumped €13.80 to €243.20 as the threat of industrial action melted away. Siemens, up €1.80 at €61.45, added to the improved sentiment by announcing it would be maintaining earnings targets this year in spite of a higher wage bill as a result of the IG Metall pay deal.

Mannesmann added €4.20 at €117.50 and retailer Metro pushed up €2.25 at €63.80. Munich Re was a weak feature, slipping €5.70 to €178.10. BMW, a strong market lately on takeover talk, ran into profit-taking. The shares lost €27.40 at €703.60.

The FTSE Eurotop 300 index rose 1.04 or 0.09 per cent to 1,198.55. See Euro Prices page.

DaimlerChrysler gained €1.69 at €85.85 amid persistent talk of broker upgrades in the wake of a strong start to 1999 for US car sales.

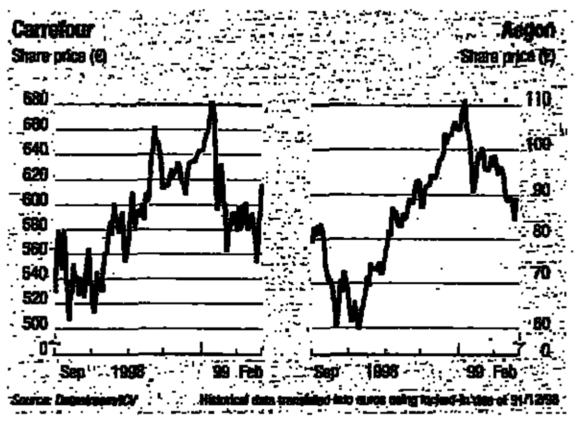
PARIS closed 1.35 per cent higher, with the CAC-40 up 53.92 to 4,039.41 as investors focused on individual stocks in the absence of a lead from other markets.

Hypermarket group Carrefour stole the show, closing €65 or 11.7 per cent higher to €619 after posting a higher-than-expected rise in 1998 profits. The news unleashed a wave of buying from investors who had feared the emerging markets crisis would dent the company's bottom line.

Rhône-Poulenc recovered 59 cents to €41.70 after Hoechst said it had reached an agreement with one of its main shareholders that would allow its planned merger with the French chemical group to go ahead.

Kuwait, which owns 24.5 per cent of Hoechst, was said to be reconsidering its opposition to the deal after a meeting with Hoechst executives.

LVMH was €11.80 or 5.6 per cent off to €200.70 after Gucci, the Italian fashion house LVMH is bidding for, countered the offer by popping a poison pill.



Gucci said it had granted an employee trust an option to buy 37m new shares. The trust was reported to have immediately built up a stake equivalent to LVMH's. LVMH's holding in Gucci could fall from 34 per cent to 21 per cent as a result.

Lagardère tumbled €1.50 or 4 per cent to €35.98 after the government said it would float a smaller-than-expected 17 per cent stake in Aerospatiale, which is to merge with Lagardère's defence arm Matra.

AMSTERDAM moved lower in spite of a busy day for insurance giant Aegon, which gained almost 10 per cent at one stage on news of a $9.7bn US takeover. The AEX index ended 1.96 lower at 512.19.

Aegon rose to a high of €92.90 on the announcement of the Transamerica deal, but met with some profit-taking later. The stock ended up €4.70 or 5.6 per cent at €89.30 in heavy volume of 10.4m shares.

An earnings upgrade from Goldman Sachs helped keep Philips on an even keel, with the shares closing all square at €61.

Telecoms leader KNP and shipping group Nedlloyd featured at the bottom of the day's performance charts. KNP came off €2.95 at €10.80 and Nedlloyd fell 70 cents to €10.80.

MILAN was enlivened by action in Banca di Roma, which soared 8.5 per cent as it sought to catch up with its possible merger partner Banca Commerciale Italiana's 6 per cent rally on Wednesday.

Banca di Roma closed 11 cents higher at €1.40 while BCI slipped 5 cents to €5.90.

Dealers said there was clear evidence that investors, both domestic and foreign, were shifting from BCI into Banca di Roma ahead of the BCI board meeting on February 22 when the bank could give some signal on how it intends to proceed on the merger front.

BCI and Banca di Roma have been in long-running merger talks, but negotiations have run aground on issues including valuation of assets and who should run the combined bank.

The broader market overcame early weakness and the real-time Mibtel index closed 121 higher at 23,103.

Telecom Italia was another outperformer, rising 26 cents to €8.88 after an intraday peak just 2 cents below its all time high of €8.94.

Dealers said investors were moving out of its mobile phone unit Tim and moving into Telecom. Tim lost 12 cents to €5.34.

Italcementi put on 41 cents to €9.70 on continued optimism after parent group Ciments Français posted a 46 per cent increase in 1998 net income.

ZURICH was lower after a thin and trendless session with the SMI index marked down 64.3 at 6,981.6.

Novartis, still suffering from foreign selling, lost SFr56 to SFr2,480 while Roche certificates gave up SFr125 to SFr18,150.

Financials were mostly lower, with insurer Baloise giving up SFr22 to SFr1,230.

Swisscom continued to see profit-taking, with a loss of SFr18 to SFr535.

STOCKHOLM shrugged off poor results to end slightly lower, with the general index up 13.57 to 3,275.44.

Toolmaker Sandvik, down SKr6.50 to SKr153.50, and insurer Skandia, down SKr4 to SKr129, both fell after posting falls in 1998 profits.

Astra's A-shares rose SKr5 to SKr164 after shareholders in Britain's Zeneca approved the merger between the two companies at a meeting in the UK.

Written and edited by Michael Morgan, Bertrand Benoit and Mike Scott

Firm peso and rise in GDP boost Mexico

MEXICO CITY was trading 0.7 per cent higher on the back of a firm peso and a good start on Wall Street. The IPC index was 27.90 higher to 4,104.24.

Optimism was also fuelled by news of a 4.8 per cent rise in gross domestic product in 1998.

Blue chip Telmex rose 0.25 centavos to 26.35 pesos.

SAO PAULO erased all of Wednesday's small gains, with the Bovespa index down 133 or 1.45 per cent at 8,844 in early trading.

Brazil saw a net foreign capital outflow of $774m last month, down from $975m in December, in spite of the devaluation of the Real.

CARACAS tumbled 2.3 per cent, with the IBC index retreating 90.99 to 3,845.10 at midsession, extending Wednesday's 4 per cent fall.

Benchmark stock Electricidad de Caracas fell 10.05 bolivars to 180 bolivars.

Jo'burg welcomes budget

SOUTH AFRICA

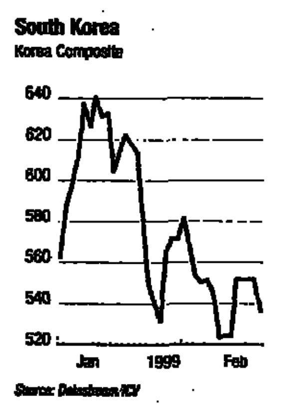
Johannesburg recouped overnight losses to finish firmer as the equity market gave a warm reception to a pre-election budget.

Signals of a firmer Wall Street start also inspired the market and the overall index picked up 26.5 to 5,897.8. Industrials rose 47.6 to 6,728.8 while financials rallied off earlier lows to end 2.1 weaker at 8,994.9.

The gold index climbed 1.1 to 893.7 after a R1 climb to R34.50 in Gold Fields.

Tokyo falls on weakening yen

ASIA PACIFIC



Stocks in **TOKYO** fell for a second day in quiet trading, as the yen weakened and companies announced downward earnings revisions, *writes Alexandra Nusbaum in Tokyo.*

The benchmark Nikkei 225 Average fell 0.08 per cent or 11.88 to 14,146 after trading between 14,041 and 14,168. The capitalisation-weighted Nikkei 300 fell 0.38 to close at 218.62. The Topix index of all first-section shares was down 1.81 at 1,095.27.

Volume was light with 348m shares traded. Momentum was downwards with 426 issues advancing, 665 declining and 198 unchanged.

The yen continued falling, to Y118 against the dollar.

Sumitomo Trust rose 3 per cent or Y10 to Y373. Daiwa Securities was up 1.6 per cent or Y7 to Y433. Industrial Bank of Japan lowered the group forecast from a loss of Y80bn to a loss of Y330bn, but shares remained unchanged at Y545.

Konami, a leading software development company that forecast a 45 per cent jump in pre-tax profit for the parent company, soared 11.6 per cent or Y490 to Y4,240 following a report that the company would conduct a stock split.

NSK, a ballbearing manufacturer, saw its stock climb 8.3 per cent or Y42 to Y508. Dainippon Ink rose 1.2 per cent or Y4 to Y327 following Tuesday's announcement that it is to launch a joint venture printing business with Eastman Kodak.

Softbank fell 3.76 per cent or Y300 to Y7,680 after yesterday's news that it would post a consolidated pre-tax loss of Y15bn this year.

Asahi Breweries closed down Y23 or 1.45 per cent to Y1,565 on its announcement that net income was Y579m for the year ending December 31, 1998 against Y11,560bn the previous year.

In Osaka, the OSE index fell 48 to 14,908.

SINGAPORE returned from a two-day break in downbeat mood, sending equities steeply down on a combination of Wall Street's overnight slide and worries about upcoming corporate results.

Property shares were picked out for extensive selling and the sector index ended off 3.4 per cent. Property heavyweight City Developments fell 40 cents to S$6.40.

The day's trading volume was relatively light at 81m shares. The Straits Times index shed 28.14 or 1.9 per cent at 1,335.01.

SEOUL tumbled as investors cashed in on profits and turned from arbitrage buying to selling as a weaker yen put pressure on Korean exports. The composite index lost 15.36 or 2.8 per cent to 536.41, off a 556.96 high, erasing most of Friday's gains.

The yen had steadily declined to the dollar as the Korean market was closed for the lunar new year holiday, explaining the steep adjustment by traders when they returned to the market yesterday.

Worst hit were market heavyweights. Korea Electric Power Corp retreated Won2,000 to Won28,000, while SK Telecom lost Won25,000 to Won580,000 and Pohang Iron and Steel dropped Won2,300 to Won55,700.

JAKARTA ended higher as large-cap stocks rebounded, but dealers were split over whether there were more gains to come if the market faced profit-taking.

The composite index ended 5.44 higher at 403.41 as export-oriented companies and dual-listed stocks were boosted by arbitrage trades as the rupiah weakened.

Market heavyweight Telkom picked up Rp50 at Rp2,900 while cigarette producer Gudang Garam rose Rp800 to Rp12,000.

Fishing company Daya Guna Samudra added Rp250 to Rp4,275, and Tambang Timah closed at Rp4,225, up Rp325, ahead of full-year results due today.